

**MEETING**

**AUDIT COMMITTEE**

**DATE AND TIME**

**THURSDAY 30TH APRIL, 2015**

**AT 7.00 PM**

**VENUE**

**HENDON TOWN HALL, THE BURROUGHS, LONDON NW4 4BQ**

**TO: MEMBERS OF AUDIT COMMITTEE (Quorum 3)**

Chairman: **Councillor Brian Salinger**  
Vice Chairman: **Councillor Suri Khatri**

**Councillors**

Geof Cooke	Arjun Mittra	Richard Harbord
Kathy Levine	Gabriel Rozenberg	Vacancy
	Peter Zinkin	

**Substitute Members**

Melvin Cohen	Anne Hutton	Alan Schneiderman
Eva Greenspan	John Marshall	Ammar Naqvi

**You are requested to attend the above meeting for which an agenda is attached.**

**Andrew Charlwood – Head of Governance**

Governance Service contact: Kirstin Lambert 020 8359 2177 [kirstin.lambert@barnet.gov.uk](mailto:kirstin.lambert@barnet.gov.uk)

Media Relations contact: Sue Cocker 020 8359 7039

**ASSURANCE GROUP**

## ORDER OF BUSINESS

Item No	Title of Report	Pages
1.	Minutes of last meeting	1 - 4
2.	Absence of Members (If any)	
3.	Declaration of Members' Disclosable Pecuniary interests and Non Pecuniary interests (If any)	
4.	Report of the Monitoring Officer (If any)	
5.	Members' Items (If any)	
6.	Public Question and Comments (If any)	
7.	Internal Audit Exception Recommendations Report and Progress Report up to 31st March 2015	5 - 58
8.	Internal Audit, CAFT and Risk Management Plan 2015-16 and Internal Audit Charter update	59 - 98
9.	Corporate Anti-Fraud Team (CAFT) Annual Report 2014-15	99 - 116
10.	Audit Plan 2014-15	117 - 138
11.	External Audit Progress - Verbal Update	
12.	Committee Forward Work Programme	139 - 148
13.	Any item(s) the Chairman decides are urgent	

### FACILITIES FOR PEOPLE WITH DISABILITIES

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## **Decisions of the Audit Committee**

29 January 2015

Members Present:-

**AGENDA ITEM 1**

Councillor Brian Salinger (Chairman)  
Councillor Sury Khatri (Vice-Chairman)

Councillor Geof Cooke  
Councillor Kathy Levine  
Councillor Arjun Mittra

Councillor Gabriel Rozenberg  
Councillor Peter Zinkin

Independent Members (have non-voting rights)  
Richard Harbord

### **1. MINUTES OF LAST MEETING**

RESOLVED that the minutes of the meetings held on 6 November 2014 be approved as a correct record.

### **2. ABSENCE OF MEMBERS**

None.

### **3. DECLARATION OF MEMBERS' DISCLOSABLE PECUNIARY INTERESTS AND NON PECUNIARY INTERESTS**

None.

### **4. REPORT OF THE MONITORING OFFICER**

None.

### **5. PUBLIC QUESTION AND COMMENTS**

None.

### **6. MEMBERS' ITEMS**

None.

**7. INTERNAL AUDIT EXCEPTION RECOMMENDATIONS REPORT AND PROGRESS REPORT UP TO 31 DECEMBER 2014**

The Head of Internal Audit introduced the report. The Committee discussed the report and asked questions to the relevant Directors or their representatives on the audits that had received limited or no assurance reports.

Officers undertook to discuss issues relating to contract management with Councillor Khatri with a view to adding this to planned audit work for 2015/16.

**RESOLVED that:**

- 1. the Committee receive an update to the next meeting on progress made in implementation of the internal audit recommendation relating to Income and Debt Management.**
- 2. the Committee noted the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2014-15 and high priority recommendations.**

**8. CORPORATE ANTI-FRAUD TEAM (CAFT) PROGRESS REPORT Q3 OCTOBER - DECEMBER 2014**

The Acting Assurance Director introduced the report.

**RESOLVED that the Corporate Anti-Fraud Team progress report covering the period 1 October – 31 December 2014 be noted.**

**9. ANNUAL AUDIT LETTER 2013/2014**

Paul Hughes and Nick Taylor from Grant Thornton LLP presented the report.

**RESOLVED that the External Auditor's Annual Audit Letter for 2013/2014 be accepted as a reasonable statement on the Council's position in respect of the Audit of the Accounts, Financial Performance, Value for Money and Financial Resilience.**

**10. GRANTS CERTIFICATION WORK REPORT 2013/2014**

The Deputy Chief Operating Officer and Assistant Director of Finance (CSG) presented the report.

**RESOLVED that:**

- 1. the Committee note the report**
- 2. the matters raised by the External Auditors relating to the grants submission and certification process are noted by the Committee**

**11. EXTERNAL AUDIT PROGRESS - VERBAL UPDATE**

Paul Hughes of Grant Thornton LLP (External Auditors) gave a short verbal update.

**RESOLVED that the update be noted.**

**12. ANY ITEM(S) THE CHAIRMAN DECIDES ARE URGENT**

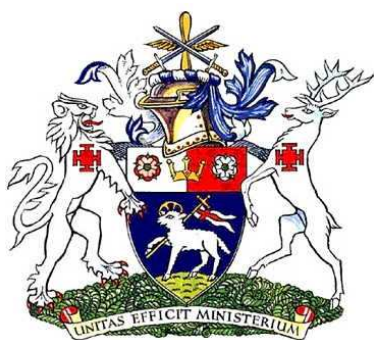
None.

The meeting finished at 8.52 pm

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AGENDA ITEM 7



## Audit Committee

### 30<sup>th</sup> April 2015

<b>Title</b>	<b>Internal Audit Exception Recommendations Report and Progress Report up to 31st March 2015</b>
<b>Report of</b>	Caroline Glitre – Head of Internal Audit
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Enclosures</b>	Internal Audit progress report (up to 31 <sup>st</sup> March 2015)
<b>Officer Contact Details</b>	Caroline Glitre, Head of Internal Audit <a href="mailto:caroline.glitre@barnet.gov.uk">caroline.glitre@barnet.gov.uk</a> 020 8359 3721

## Summary

Members are asked to note the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2014-15 and high priority recommendations.

The Internal Audit Service has continued delivery of work in accordance with its plan reported to the Audit Committee in April 2014. Over the current period since the Committee last met in January 2015 the service has issued 23 reports with the following assurance ratings:

Substantial	0
Satisfactory	13
Limited	2
No	0
N/A	8
<b>Total</b>	<b>23</b>

Detail has been presented within the report on audits that were given 'Limited' assurance:

1	The Care Act – LGA Stocktake Submissions
2	St. Andrews CE School

Full copies of Limited Assurance audit reports are available on the Barnet website here:

<http://barnet.moderngov.co.uk/ecCatDisplay.aspx?sch=doc&cat=13619&path=0>

In January 2015 we reported to the Audit Committee the implementation status of recommendations made over Key Financial Systems and Revenues & Benefits. We have followed-up the high priority recommendations again as part of our normal quarterly process.

9 of all of the 13 (69%) high priority recommendations that were due to have been implemented by the end of the quarter have been fully implemented. This is below the target of 90%.

A summary of the status is as follows:

Status	Number	%
Implemented	9	69
Partly Implemented	4	31
Not Implemented	0	0
<b>Total</b>	<b>13</b>	<b>100</b>

A summary of the detail of those recommendations which were due in Quarter 4 has been included for the Audit Committee to review (Appendix D).

Audit Committee Training was held in early March, covering an Audit Committee update, Knowledge & Skills, Risk Management and Being Effective. The slides have been circulated to all members of the Committee.

Interviews were held for the vacant Audit Committee Independent Member in March. However the position was not appointed to and we will be advertising again in May.

## Recommendations

**That the Committee note the progress against internal audit recommendations and work completed to date on the Internal Audit Annual Plan 2014-15 & high priority recommendations.**

### 1. WHY THIS REPORT IS NEEDED

- 1.1 The Audit Committee's role in receiving this report is to note the overall progress made against the 2014-15 Internal Audit Plan and the high priority recommendations made. In addition, the Audit Committee can inquire of Directors and Assistants Directors as to their progress against recommendations.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 The Audit Committee approved the workplan in April and this report notes the progress against that plan and progress against high priority recommendations.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 Not relevant.

## **4. POST DECISION IMPLEMENTATION**

- 4.1 The Internal Audit Plan will continue to be delivered as reported to the Audit Committee with recommendations implemented in line with the report.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 All internal audit and risk management planned activity is aligned with the Council's objectives set out in the Corporate Plan 2013-2016, and thus supports the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the service.

### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1 When risk, and assurances that those risks are being well managed, is analysed alongside finance and performance information it can provide management with the ability to measure value for money.
- 5.2.2 The work plan agreed by the Audit Committee is being achieved from Internal Audit's current budget.

### **5.3 Legal and Constitutional References**

- 5.3.1 There are no legal issues in the context of this report.
- 5.3.2 The Council's Constitution, Responsibilities for Functions - the Audit Committee terms of reference paragraph 2 states that the Committee can consider summaries of specific internal audit reports as requested.

### **5.4 Risk Management**

- 5.4.1 All Internal Audit activity is directed toward giving assurance about risk management within the areas examined. By so doing the aim is to help maximise the achievement of the Council's objectives. Internal Audit does this by identifying areas for improvement and agreeing actions to address the

weaknesses.

- 5.4.2 Internal Audit work contributes to increasing awareness and understanding of risk and controls amongst managers and thus leads to improving management processes for securing more effective risk management.

## **5.5 Equalities and Diversity**

- 5.5.1 Effective systems of audit, internal control and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community. Individual audits assess, as appropriate, the differential aspects on different groups of individuals to ensure compliance with the Council's duties under the 2010 Equality Act.

## **5.6 Consultation and Engagement**

- 5.6.1 N/A

## **6. BACKGROUND PAPERS**

- 6.1 Audit Committee 11 March 2010 (Decision Item 10) - the Committee accepted that there would be progress reports to all future meetings of the Committee and, that for all "limited" or "no assurance" audits, there should be a brief explanation of the issues identified.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201003111900/Agenda/Document%201.pdf>

- 6.2 Audit Committee 21 September 2010 (Decision Item 8) – the Committee agreed that where an audit had limited assurance that greater detail be provided than previously.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201009211900/Agenda/Document%201.pdf>

- 6.3 Audit Committee 17 February 2011 (Decision Item 7) – the Committee (i) agreed that a report would be prepared quarterly regarding those internal audit recommendations not implemented (ii) requested that the table of priority 1 recommendations should in future indicate what date recommendations were made to service areas and the implementation date.

<http://barnet.moderngov.co.uk/Data/Audit%20Committee/201102171900/Agenda/Document%201.pdf>

# **Internal Audit**

## **Progress Report 2014-15 – Quarter 4**

**Caroline Glitre, Head of Internal Audit**

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## 1. Introduction

The Internal Audit Plan was accepted by the Audit Committee on the 29th April 2014. This report follows the principles previously requested by the Committee, in that all audit reports with limited or no assurance will be summarised into key messages with some detail.

## 2. Final Reports Issued


This report covers the period from 1<sup>st</sup> January 2015 to 31<sup>st</sup> March 2015 and represents an up to date picture of the work in progress to that date. The Internal Audit service has over this period issued 23 reports in accordance with the 2014-15 Internal Audit Plan. The full list of completed audits during this period is included within Appendix A.

In summary, the assurance ratings provided were as follows:

Substantial	0
Satisfactory	13
Limited	2
No	0
N/A	8
<b>Total</b>	<b>23</b>

The summary detail of those reports issued as Limited assurance is included within section 3.

### 3. Key Findings from Internal Audit Work with Limited assurance

<b>Title</b>	<b>The Care Act – LGA Stocktake Submissions</b>			
<b>Assurances Audit Opinion</b>	<b>No</b>	<b>Limited</b>	<b>Satisfactory</b>	<b>Substantial</b>
				
<b>Date of report:</b>	March 2015			
<b>Background &amp; Context</b>	<p>The Care Act 2014 (the Act) is regularly described as the greatest change to the landscape of social care in over sixty years. In addition to introducing new responsibilities to Local Authorities, the Act seeks to bring together a number of existing laws under one piece of legislation. Various aspects of the Act (such as changes to assessments and promotion of wellbeing) come into force in April 2015 with the remaining changes (such as the social care cap) taking effect the following year.</p> <p>At the Council the Act is being implemented through several project management ‘workstreams’ with progress - along with any slippages in time, quality or costs - being reported to the The Care Act Implementation Board. This was amalgamated with the more general Transformation Board earlier this year as there was overlap with the roles/people on both boards and so it made sense to bring Care Act matters to the Transformation Board rather than hold two separate meetings. The Transformation Board is made up of senior management from the Adults &amp; Communities, Public Health, Finance, Strategy and Communications teams.</p> <p>Submissions are made to the Local Government Association (LGA) in the form of Care Act Stocktakes, of which there have been three in advance of the changes in April 2015: ‘The purpose of these stocktakes is to develop a collective picture of progress across the country in a way that is useful both nationally and locally, providing information to facilitate local strategic discussions, map progress and identify support</p>			

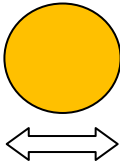


	<p>needs and opportunities for shared learning.’ (LGA). We understand that Stocktakes will continue on a quarterly basis in advance of the introduction of further changes in April 2016.</p> <p>The stocktake submissions are shared internally with the Chief Executive and the Leader and they are used by the LGA, Department of Health and ADASS (Association of Directors in Adult Social Services) to inform and influence national policy.</p> <p>We reviewed the controls in operation over the Stocktake from Autumn 2014. Each stocktake covers a wide range of issues; the scope of our audit tested a sample of 2 of the 14 elements in detail: Cost Modelling and Workforce, the former being tested against the Council’s Data Quality Principles. The two elements we probed – cost modelling and workforce capacity – were based on a number of assumptions used to predict demand which will be continually updated by the service to reflect the actual pressures faced by the Council as they emerge. We understand that assumptions were developed in the absence of national data on self-funders and those likely to come forward for support under the Act. The modelling tools developed by the Council have been informed by available good practice models. However, there are no nationally prescribed modelling tools for cost and workforce modelling. The outputs of modelling have been presented to the Adults and Safeguarding Committee. The modelling has been used to inform local preparation alongside other information.</p> <p>The scope of this audit did not cover the Council’s preparations in comparison to other Local Authorities and we therefore do not comment on the overall preparedness of the Council.</p>
<b>Summary of Findings</b>	<p>There two priority 1, two priority 2 and one priority 3 recommendations.</p> <p>We noted the following areas of good practice:</p> <ul style="list-style-type: none"> <li>• There was regular overview of the financial model at Care Act Implementation Board Meetings</li> <li>• The assumptions within the model have been shared with various members of senior management</li> <li>• Risks were routinely discussed at Care Act Implementation Board meetings and business risks recorded within JCAD, the Council’s risk management database, were reviewed regularly.</li> </ul> <p>We identified the following significant issues as part of the audit:</p>

	<ul style="list-style-type: none"> <li>• <b>Projected costs – financial model</b> - The financial model used to predict the fiscal impact on the Council had not been adequately reviewed by the service. We reviewed a sample of 184 cells within a spreadsheet containing approximately 830 cells and identified an error which resulted in the financial impact of the legislative changes being under-estimated by £0.9 million over the next eight years, with an impact of £178k in 2016/17. The model therefore did not meet the Data Quality principle of 'accuracy and completeness'. The model also contained an incorrect reference, not meeting the Data Quality principle of 'reliability' (Priority 1).</li> <li>• <b>Workforce: Training</b> - We noted that some relevant employees within the Adults and Communities delivery unit had not been included on training lists and therefore had not yet received the required training on the Care Act (Priority 1).</li> </ul> <p>We noted the following other issues:</p> <ul style="list-style-type: none"> <li>• The information submitted to the LGA in the Stocktake did not fully meet the Council's Data Quality Principles; some of the data reviewed did not meet the requirements of 'accuracy and completeness' or 'reliability' (Priority 2).</li> <li>• The model allowed unauthorised changes to be made to the document and we found differences between the version held by the Finance Manager and the version provided by the Project Manager (Priority 2).</li> <li>• Not all recommendations made as part of previous relevant audits have yet been fully implemented; 1 of the 5 recommendations inspected was found to be partially implemented (Priority 3).</li> </ul> <p><b>To Note:</b> We found that the Council's preparations for the Care Act with regard to workforce capacity had been delayed. In the autumn 2014 Stocktake the Council reported that reallocation or recruitment of the workforce to meet the new duties would be implemented by January 2015 but during the audit Management confirmed this has not been realised yet.</p> <p>We also noted that, whilst the Council had developed a workforce capacity model which projected the</p>
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	number of additional employees required as a result of the legislative changes, a decision to employ a lower number of staff than the number projected is being progressed but has yet to be formally agreed by the Transformation Board.		
Priority 1 recommendations, management responses and agreed action dates			
1. Projected costs – financial model			
Recommendation	Management Response	Responsible Officer	Deadline
<p>A periodic check of the financial model should be completed by an appropriately skilled member of staff to rectify any errors which could lead to incorrect financial forecasts being generated. Ideally the check should be undertaken by a member of staff who is not directly responsible for updating the model.</p> <p>Additionally when the model is updated with new data, the references should also be correctly updated to allow for a full audit trail to support the revised figures.</p>	<p>The financial model which supports the financial impact of the Care Act changes due to come in from 1<sup>st</sup> April 2015 and then April 2016 is very complex and as highlighted above contains 830 referenced cells and 20 core pieces of data. The points highlighted effect the model for 2016/17 onwards and not 2015/16 which is considered in the Council's medium term financial plan.</p> <p>In order to mitigate the risk moving forward, we shall review the model to identify if it's feasible to reduce the number of referenced cells which will allow for an independent member of the Finance Services to review the model on a periodic basis. At the same time, when the independent review is undertaken we shall ensure any core data is clearly referenced back to supporting documentation.</p>	Assistant Director of Finance, CSG	June 2015
2. Workforce: training			
Recommendation	Management Response	Responsible Officer	Deadline
The current training database and attendance lists should be cross matched against the current staff list to ensure that records are up to date and correct, and that all staff who require	<p>We fully agree with the audit's finding and will continue to engage with HR to rectify this issue.</p> <p>We note that Adults and Communities utilise a significant number of agency staff to deliver</p>	Assistant Director Community and Wellbeing	June 2015

<p>training are captured on training records.</p> <p>If current staff lists are not accurate Adults &amp; Communities should continue to engage with HR to rectify this issue.</p>	<p>services and that agency staff would not appear on the staff list.</p> <p>The critical people to be trained on the Care Act duties are front line staff (social workers, occupational therapists etc).</p> <p>The Mosaic Training list was compiled from the current users of SWIFT (the current care management system). All front line staff must be registered as SWIFT users to perform their duties and we are confident that all of these critical members of staff were on the training list regardless of any cross checking with the staff list.</p> <p>Nevertheless, the training database is routinely cross checked with the staff lists when running training events of this magnitude and this was in hand whilst the audit was taking place.</p>		
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<b>Title</b>	<b>St. Andrews CE School</b>			
<b>Assurances</b>	<b>No</b>	<b>Limited</b>	<b>Satisfactory</b>	<b>Substantial</b>
<b>Audit Opinion and Direction of Travel</b> Last audit: Limited Assurance July 2011				
<b>Date of report:</b>	March 2015			
<b>Background &amp; Context</b>	<p>St Andrew's CE School is a Voluntary Aided school with places for 210 pupils aged between 5 and 11 years of age. The School budget for 2014/15 was £1,038,136 with employee costs of £776,923 (75% of the delegated budget).</p> <p>The School was assessed as 'Good' by OFSTED in October 2011.</p>			
<b>Summary of Findings</b>	<p>As part of the audit we were able to give '<b>Limited</b>' assurance to the school, noting three high and five medium priority issues as part of the audit:</p> <ul style="list-style-type: none"> <li>• <u>Income</u> – Paperwork is incomplete for money received into the school office for breakfast club and after school club. There is an incomplete audit trail for cash and cheques received into the school office for dinner money recorded on Parentmail2. Therefore a complete reconciliation between money received and money banked was not possible (Priority 1);</li> <li>• <u>Payroll</u> – Lack of financial control. No evidence of review of payroll documents from April 2014 to November 2014 (Priority 1);</li> <li>• <u>Lettings</u> –Lack of financial control, lack of invoices, no confirmation that where income from lettings has been paid into Governor's funds, associated costs have been reimbursed to the School budget (Priority 1);</li> <li>• <u>Governance</u> –The Financial Management Policy and procedures document needs updating to reflect the role of the School Business Manager, use of Parentmail2 to record and allow parent payments to the school, and the authorisation process for purchases in school (Priority 2);</li> </ul>			

- Purchasing – Signatures on purchase orders are not consistent with the Notice of Authorised Signatories approved by Governors. There is a lack of segregation of duties (Priority 2);
- Voluntary funds – The accounts for the School fund should be audited on an annual basis, presented to Governors, and submitted to the Local authority within six months of the end of the accounting period (Priority 2);
- Assets– The Inventory contains incomplete entries, (no reference to date of acquisition, or cost), recent purchases have not been included (Priority 2);

Following our 'Schools Financial Values Standard' (SFVS) self – assessment review we were unable to confirm all judgements, as supporting evidence was not provided for these areas. Therefore, although the School has responded with 'Yes', or 'In Part', in area(s) outlined below, it is the opinion of audit that these areas have either not been met, or met 'In-Part':

**A1:** In the view of the governing body itself and of senior staff, does the governing body have adequate financial skills among its members to fulfil its role of challenge and support in the field of budget management and value for money?

- The school has answered 'Yes', but there was no evidence available to support this. No Governor competency forms available, or list of financial training undertaken by Governors/staff.

**A2:** Does the governing body have a finance committee (or equivalent) with clear terms of reference and a knowledgeable and experienced chair?

- The school has answered 'Yes', but there was no evidence available to support this. No recent review of Financial Management Policy and procedures document. No information available re Chair of Governors.

**A5:** Are business interests of governing body members and staff properly registered and taken into account so as to avoid conflicts of interest?

- The school has answered 'Yes', but there was no evidence available to support this. No evidence of review of business interests of staff.

**A7:** Does the school review its staffing structure regularly?

- The school has answered 'Yes', but there was no evidence available to support this.

**B9:** Does the school make a forward projection of budget, including both revenue and capital funds, for at least three years, using the best available information?

- The three year budget forecast was not up to date

**C12:** Does the school benchmark its income and expenditure annually against that of similar schools and

	<p>investigate further where any category appears to be out of line?</p> <ul style="list-style-type: none"> <li>- The school has answered 'Yes', but there was no evidence available to support this.</li> </ul> <p><b>D18:</b> Is the governing body sure that there are no outstanding matters from audit reports or from previous consideration of weaknesses by the governing body?</p> <ul style="list-style-type: none"> <li>- The school has answered 'Yes', but five findings from the previous audit have been repeated (Purchasing/Income/Lettings/Voluntary funds/Assets)</li> </ul> <p><b>D19:</b> Are there adequate arrangements in place to guard against fraud and theft by staff, contractors and suppliers (please note any instance of fraud or theft detected in the last 12 months)?</p> <ul style="list-style-type: none"> <li>- Refer to audit Findings/Recommendations; (Income/Payroll/Purchasing), which should be addressed to ensure procedures are as robust as possible</li> </ul> <p><b>D22:</b> Does the school have adequate arrangements for audit of voluntary funds?</p> <ul style="list-style-type: none"> <li>- The School Journey Account and the Private Account were not audited on an annual basis from 2009 to 2013</li> </ul> <p><b>D23:</b> Does the school have an appropriate business continuity or disaster recovery plan, including an up-to-date asset register and adequate insurance?</p> <ul style="list-style-type: none"> <li>-The asset register was not found to be up to date</li> </ul>
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### Priority 1 recommendations, management responses and agreed action dates

#### 1. Income

Recommendation	Management Response	Responsible Officer	Deadline
<p>Strict income controls and procedures should be in place to ensure effective financial management. Independent checks should be carried out to verify amounts banked agree to source records. These checks should be visibly evidenced.</p> <p>Refer to the Barnet Schools Financial Guide, section 7 (Income collection and administration) to ensure that there is a proper audit trail.</p>	<p>We shall explore better methods of recording incoming revenue for school clubs and lunches, that are workable and time-efficient</p>	<p>School Business Manager</p>	<p>30<sup>th</sup> Sept 2015</p>

<b>2. Lettings</b>			
<b>Recommendation</b>	<b>Management Response</b>	<b>Responsible Officer</b>	<b>Deadline</b>
<p>The School should refer to the Barnet Schools Financial Guide, section 7.9 (Lettings Policy and Administration) for guidance with lettings, to ensure that all income due to the School is identified, collected and recorded promptly.</p> <p>The Financial Guide for schools section 7.9 states that 'The income from lettings should be paid into the same account from which the related expenditure was paid i.e. the school's Delegated Budget / Budget Share Account. However, in Voluntary Aided Schools where the premises are owned by the Governors, then it is permissible for the income to be paid into the Governor's account but only if all identifiable costs associated with providing the letting are reimbursed to the school's delegated budget.</p> <p>Where income from lettings is paid into the Governors account then the Lettings Policy should set out the frequency at which associated costs are reimbursed to the delegated budget together with the basis on which these are calculated.'</p>	<p>There is an ongoing effort to tighten the various elements of managing Lettings and filling gaps such as invoicing, proof of insurance and proof of DBS clearance. We aim to have a complete file and system in place by the early part of Autumn term 2015</p>	<p>School Business Manager</p>	<p>30<sup>th</sup> Sept 2015</p>
<b>3. Payroll</b>			
<b>Recommendation</b>	<b>Management Response</b>	<b>Responsible Officer</b>	<b>Deadline</b>
<p>As payroll constitutes the largest area of expenditure for the School, it is recommended that at least two officers are involved in checks over the monthly payroll reports.</p>	<p>Monthly payroll checks are now in place and have been since Dec 2014 which involve the SBM checking payroll against budget expectations and contract details, and meeting with the Head teacher to discuss and reconcile any variances,</p>	<p>Head teacher and SBM</p>	<p>Now in place</p>



Refer to the Barnet Financial Guide for schools, section 4 (Internal Financial Controls), and page 16 of the 'Keeping Your Balance' document, issued jointly by Ofsted and the Audit Commission for guidance.	with the Head teacher signing the monthly check sheet		
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#### 4. Advisory reviews for management purposes

There were four advisory reviews undertaken by internal audit that do not give an assurance rating but none the less aid management in assessing the design and effectiveness of their control environment. If a significant issue has been identified or a Priority 1 recommendation made as part of these reviews further detail is provided within this progress report below.

Any potential independence threats have been managed when undertaking these reviews in that the staff involved in the reviews have not audited / will not audit the area concerned for at least 12 months before or after the advisory work.

	Advisory Reviews	
1	Re Joint Venture arrangements	See 4.1 below
2	Trade Waste Invoicing	See 4.2 below
3	Schools Assurance Mapping	See 4.3 below
4	Data Quality Q3 - Adults CPI 1005 (Proportion of older people (65 and over) who were still at home 91days after discharge from hospital into reablement/rehabilitation services)	No significant issues

##### 4.1 Re Joint Venture arrangements

<b>Background &amp; Context</b>	<p>Our work focused on the governance of, and reporting to, the Joint Venture Board (the JV Board) and was limited to a review of background documents, interviews with officers and board members, and an assessment of the adequacy of procedures and controls to mitigate identified risks. Our work was undertaken at this time to provide assurance and feedback on controls prior to Re taking on any new business outside of the services that are currently provided to the Council.</p> <p>The joint venture company (Re) was formed by the Council with Capita Symonds Limited in order to</p>
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	<p>deliver Development and Regulatory Services. Through a shareholder's agreement, the Council is able to appoint two directors and Capita Symonds Limited can appoint four directors.</p>
Summary of Findings	<p>We identified six findings. Of these there are four Priority 1 findings. These are summarised as follows:</p> <ul style="list-style-type: none"> <li>• <b>Decision making</b> – It was not clear whether Re has an Authorisations manual, which documents financial and procurement limits for Re directors and staff. In addition, the Council's Scheme of Delegation under which decisions are delegated by the Council's Strategic Directors to Re's Directors and the Council's Strategic Commissioners is in draft form only. This could lead to inappropriate decision making. <i>See recommendation 1.</i></li> <li>• <b>Risk register</b> – there was no evidence of the Re risk register having been discussed by the JV Board, and JV Board members interviewed had different views on the risks affecting Re. This could lead to risks being insufficiently mitigated and thus crystallising. This could prevent the achievement of objectives and a shortfall of income to the Council. <i>See recommendation 2.</i></li> <li>• <b>Financial report</b> – we found that financial reporting to the JV Board was unclear and was not supported by appropriate narrative. This could lead to poor performance or cash flow issues not being identified resulting in a loss of income to the Council. This issue had already been identified by JV Board members and was being addressed at the time of the audit. <i>See recommendation 3.</i></li> <li>• <b>Conflicts of interest within the Council</b> – there is scope for conflicts of interest to arise between members and officers of the Council and Re when making Council decisions, because the Leader and the Chief Executive are Directors of Re. Although these conflicts have been considered, they are currently not all formally documented in a log with mitigating actions together with evidence of review and approval by the Monitoring Officer to ensure that the Council's decision making processes are protected. <i>See recommendation 4.</i></li> </ul> <p>From our interviews with management and review of documents, we found that many of the issues noted in this report have already been identified by management. The Chief Executive and the Leader of the Council contribute valuable knowledge and insight to the JV Board and the decisions it makes. However, there is a need for the formalisation and documentation of the key measures / controls in place to mitigate some of the risks identified during this review, namely in the areas of conflicts of interest, delegation of</p>

	responsibilities and risk management.		
Priority 1 recommendations, management responses and agreed action dates			
1. Decision Making			
Recommendation	Management Response	Responsible Officer	Deadline
1a) Re should prepare an appropriate Authorisation Limits document which specifies financial and procurement decisions can be made at each level of the organisation. This document should also include authorisation limits on signing of contracts to provide services to other bodies.	1a - Re’s authorisation limits document is in the process of being reviewed and updated to reflect current operational management arrangements. This will be completed and published by the end of April 2015.	Partnership Director, Re	April 2015
1b) The Council’s draft Scheme of Delegation should be updated in line with the recent changes to the structure of the Council’s Commissioning Group.	1b.1c.1d – The Council’s scheme of delegation is in the process of being updated to reflect the changes in the senior management positions and the new structure of the Commissioning Group. It will be published on the Council’s website after scrutiny by the Constitution, Ethics, and Probity Committee in the new municipal year.	Commercial & Customer Services Director	July 2015
1c) The Re Authorisation Limits document and Council’s Scheme of Delegation should be approved by the JV Board prior to adoption.			
1d) Once approved, the Council’s Scheme of Delegation should be published on the Council’s website as planned.			

## 2. Risk Register & Risk Reporting

Recommendation	Management Response	Responsible Officer	Deadline
2a) Re's complete risk register should be presented to the JV Board meeting for review. The JV Board should then decide the frequency with which it wants the full risk register to come to the JV Board.	Re's risk register will be presented at the next JV Board and subsequent ones	Partnership Director, Re	April 2015 JV Board
2b) Directors should satisfy themselves that all key risks preventing the achievement of Re's objectives are mitigated adequately and that opportunity risk is maximised.			

## 3. Financial Reporting

Recommendation	Management Response	Responsible Officer	Deadline
3a) Re should work with its Directors to ensure that financial reporting is fit for purpose and understood by management.	Financial reporting has been refined and new reports will be presented to the JV Board	Partnership Director, Re	April 2015 JV Board
3b) Re should ensure that papers presented contain suitable narrative to describe the financial performance and position of Re.			

## 4. Council decision making and conflicts of interest

Recommendation	Management Response	Responsible Officer	Deadline
<p>4a) The latest version of the Conflicts of Interest register should be published on the Council's website.</p> <p>4b) The JV Board should proactively review conflicts of interest at each meeting and ensure that the log contains any perceived, potential and actual conflicts of interest recognised to date.</p> <p>4c) The Council should ensure that the log is reviewed and agreed by the Council's Monitoring Officer. This should take into account the recent changes to the Council's senior management structure.</p>	<p>The Conflict of Interests (Col) register is a standing agenda item on the Partnership Ops Board and Re's Partnership Director or Operations Director reports any issues of significance to the Authority within 5 days. The register is then publicly published on the Council's website regularly. In future, prior to publication the Monitoring Officer will be asked to review</p>	<p>Commercial &amp; Customer Services Director &amp; Re, Partnership Director</p>	<p>April 2015</p>

## 4.2 Trade Waste Invoicing

<b>Background &amp; Context</b>	<p>Street Scene collects and disposes of business trade waste. The target for increased income from trade waste collection for 2014/15 was estimated at £50k in the Council's Medium Term Financial Strategy, bringing the total projected income from trade waste for 2014/15 to £2.327m.</p> <p>Street Scene and Finance recently identified instances where:</p> <ul style="list-style-type: none"> <li>- invoices had not been raised for trade waste collections service delivery</li> <li>- invoices were incorrect</li> <li>- credit notes had been duplicated</li> </ul> <p>Between May and October 2014 the Trade Waste team undertook a reconciliation exercise between their database, Citrix and Integra, the Council's general ledger. This has led to a data cleanse of the missing or incorrect information identified and improved controls being introduced by the service.</p> <p>Internal Audit was requested to provide assurance on the effectiveness of processes and controls introduced by Street Scene to address the above issues which are to ensure complete, accurate and timely invoicing of trade waste services undertaken by the Council.</p>
<b>Summary of Findings</b>	<p>There are one priority 1, three priority 2 and one priority 3 recommendations.</p> <p>We identified the following issues as part of the audit:</p> <ul style="list-style-type: none"> <li>• <b>Approval and Allocation of Credit Notes</b> - Credit notes are raised when trade waste collection is cancelled or the level of required service reduced by a customer. Credit notes are manually allocated against invoices in the Integra system but at the time of the audit this allocation was not subject to secondary review, and it is possible to raise a credit note but not to allocate it to a specific invoice. It is not currently possible within the system to see when a credit note has been raised but not yet authorised, increasing the risk of duplicate credit notes being raised. (Priority 1).</li> <li>• <b>Accuracy of Trade Waste Customer Charges</b> - Individual invoice calculations made by Trade</li> </ul>

	<p>Waste are not currently subject to secondary review; our sample testing of 25 invoices identified 2 errors on invoices that had not been resolved by the service’s reconciliation exercise; and the Trade Waste collection charges input into Integra by Finance on an annual basis are not reviewed by the Trade Waste Management team at point of entry to confirm accuracy. (Priority 2).</p> <ul style="list-style-type: none"><li>• <b>Roles and responsibilities within Trade Waste Management and CSG Finance</b> - The capacity within the Trade Waste team needs review to ensure that Trade Waste invoicing controls are appropriately robust; and the recently revised Trade Waste procedure documents do not include CSG Finance responsibilities regarding the entire Trade Waste income process (Priority 2).</li><li>• <b>Accuracy and completeness of contract information</b> - When trade waste services are requested by a customer a contract is produced by the Council. Details on the contract should be consistent with the customer account information on the Integra system. Our testing of 25 invoices found 1 where there was no contract in place with a customer and 1 where the contract start date was not recorded correctly on the Integra system. These issues had not been resolved by the service’s reconciliation exercise. A lack of formal contract documentation may result in the Council being unable to successfully collect all income owing to them for trade waste services (Priority 2).</li><li>• <b>Timeliness of Invoicing</b> - There is no formal timescale for the creation of new customer accounts on Integra or for the raising of invoices for trade waste services when new customers are created (Priority 3).</li></ul>		
<b>Priority 1 recommendations, management responses and agreed action dates</b>			
<b>1. Approval and Allocation of Credit Notes</b>			
<b>Recommendation</b>	<b>Management Response</b>	<b>Responsible Officer</b>	<b>Deadline</b>
a) Management should investigate whether it is possible within Integra to make credit notes visible on the system when they have been raised	A secondary review has already been put in place for the approval of credit notes which reduces the risk of duplicates raised against accounts.	Collection Services Manager, Waste & Recycling	Complete



<p>but not yet authorised.</p> <p>b) Management should introduce a requirement for all credit notes to be allocated to an invoice in a customer's account at the time they are authorised, and for this allocation to be subject to secondary review.</p>	<p>CSG will confirm whether it is possible within Integra to make credit notes visible on the system when they have been raised but not yet authorised. If this is not possible we will liaise with Trade Waste to explore them making a note on the customer's account confirming the details / date of any credit notes that have been raised to avoid the risk of duplication.</p> <p>As an additional safeguard a further process has been introduced within Integra:</p> <ul style="list-style-type: none"> <li>• Integra generates and emails a report to the Income Team detailing any unallocated credit notes which is sent to the individuals concerned for action. This is continued to be sent on a daily basis until the user allocates the credit note.</li> </ul>	<p>Head of Exchequer</p>	<p>31 May 2015</p> <p>Complete</p>
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### 4.3 Schools Assurance Mapping

<p><b>Background &amp; Context</b></p>	<p>The Council currently has a schools auditor who is responsible for undertaking site visits to schools across the borough on a rotational basis. These audits involve the testing of key controls, primarily financial management controls, in place at schools and provide assurance to the Council on the operation of these.</p> <p>This review was to ascertain whether this is the most appropriate approach or whether there are other</p>
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	<p>risks that should be considered as part of the schools audit visits to most effectively use the limited audit resource available. The outcome will potentially be to refresh the approach to, and scope of, schools audits, taking into consideration the monitoring already in place elsewhere in the Council and learning from the approaches in place at other local authorities.</p> <p>If a new approach is devised it will be agreed with the Director of Education and Skills, the Chief Operating Officer and the Audit Committee.</p>
<b>Summary of Findings</b>	<ul style="list-style-type: none"> <li>• A workshop was held with various stakeholders in December 2014 (including representatives from Education &amp; Skills, Finance, HR and the CAFT).</li> <li>• A draft assurance map has been prepared - a matrix detailing objectives, risks and a summary of the first, second and third lines of defence for schools as well as a list of areas to consider for future schools audits.</li> <li>• We are undertaking an audit of School Improvement Data in Q1 of 2015/16 to further inform any changes to the approach.</li> <li>• Any proposed changes to the Schools audits approach will come to the Audit Committee for agreement in July 2015 in order to be implemented at schools from September 2015 onwards.</li> </ul>

## 5. Work in progress and effectiveness review

Appendix B includes a list of all of those audits at the planning, fieldwork, or draft reporting stages.

Appendix C includes performance against the Internal Audit effectiveness indicators. We have met all targets within the plan with the exception of one indicator being rated Amber:

- 1) Implementation of internal audit recommendations – the progress of the 16 high priority recommendations due for implementation in quarter 4 is included in Appendix D. 69% of recommendations have been fully implemented compared to a target of 90%.

A summary of the status is as follows:

<b>Status</b>	<b>Number</b>	<b>%</b>
Implemented	9	69
Partly Implemented	4	31
Not Implemented	0	0
<b>Total</b>	<b>13</b>	<b>100</b>

## 6. Changes to our plan

Since the Internal Audit Plan was approved agreed in April 2014 there have been a number of changes that have been reported to the Audit Committee within the 2014-15 quarterly progress reports. In quarter 4 there is one change in timing to report.

Type	Audit Title	Reasons
Deferred	People Management	Deferred to Q1 as agreed with management due to changes in HR senior officers within the Council and CSG.

## 7. Liaison with Officers and External Audit

The Internal Audit Service is committed to the managed audit approach. Part of this includes regular liaison with External Audit to ensure that our work can be used by them as part of their financial accounts audit. Quarterly meetings, as a minimum, occur between external and internal audit.

Regular meetings have occurred with senior officers regarding implementing action plans in accordance with the agreed timeframe.

As part of the Internal Governance reviews, Internal Audit officers work closely with Governance colleagues to ensure efficient and effective audits.

Officers within the Assurance Group work closely with Capita and the Barnet Group in line with agreed protocols that both clarify and put in place practical arrangements around the relevant Audit, Fraud and Risk contract or management agreement clauses.

## 8. Risk Management

In 2014/15 we are reviewing the Council's risk management arrangements during the course of the year as part of audits where appropriate. At the end of the year we will bring these findings into a summary report which will come to Audit Committee and will provide an assurance rating over the Council's risk management arrangements.

The final performance report for Quarter 3 was presented to the Performance and Contract Monitoring Committee on 11<sup>th</sup> February 2015 and can be found via the link below. Appendix H to the report is the Quarter 3 corporate risk register. Quarter 4 performance will be published at the end of April.

<http://barnet.moderngov.co.uk/mgAi.aspx?ID=7486#mgDocuments>

## Appendix A: 2014-15 work completed during quarter 4 including assurance levels

Audit Opinions on Completed Audits during the period		
Systems Audits		Assurance
1	The Care Act - LGA Stocktake Submissions	Limited
2	Mental Capacity Act	Satisfactory
3	Decommissioning of SAP	Satisfactory
4	Information Management Strategy	Satisfactory
5	Transformation Q4	Satisfactory
6	Special Education Needs (SEN) and Children and Families Act (Legislative Changes)	Satisfactory
7	Internal Governance Q4 – Council Decision Making	Satisfactory
8	SPA PCN deletions follow-up	N/A
9	Troubled Families – Payment by Results Q4	N/A
Advisory Reviews		Assurance
10	Re Joint Venture arrangements	N/A
11	Trade Waste Invoicing	N/A
12	Data Quality Q3 - Adults CPI 1005	N/A
13	Schools Assurance Mapping	N/A
Grants		Assurance
14	Troubled Families – Payment by Results Q4	N/A
15	Transforming Care Grant	N/A
School Audits		Assurance
16	Pardes House	Limited
17	Our Lady of Lourdes Catholic	Satisfactory
18	Christ Church	Satisfactory
19	St. John's N20	Satisfactory
20	Finchley Catholic High School	Satisfactory
21	St. Vincent's Catholic School	Satisfactory
22	Blessed Dominic Catholic School	Satisfactory
23	Woodridge	Satisfactory

## Appendix B: Work in progress

The following work is in progress at the time of writing this report:

Work in progress	
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Systems Audits		Status
1	Grant Income	Draft Report
2	Regeneration	Planning
3	Risk Management Framework	Planning
School Audits		Status
4	St. Andrews CE	Draft Report

## Appendix C: Internal Audit Effectiveness Indicators

Performance Indicator	Annual Target	End of Quarter 4
% of recommendations accepted	98%	98%
% of recommendations implemented due in quarter	90%	69%
External Audit evaluation of Internal Audit (previous year)	Reliance On IA	Quarter 1 assessment
Average client satisfaction score (above 3)	90%	100%
% of Plan delivered	95%	95%
% of draft reports completed within 10 days of finishing fieldwork	90%	93%
Periodic reports on progress	Each Audit Committee	Achieved
Preparation of Annual Plan	By April	Achieved
Preparation of Annual Report (previous year)	Prior to A.G.S.	Quarter 1 assessment
Staff with professional qualifications	70%	75%
Staff development days	5 days	Achieved

## Appendix D: Quarter 4, 2014-15: Priority 1 Recommendations due

Code to ratings:

Shading	Rating	Explanation
	Implemented	The recommendation that had previously been raised as a priority one has been reviewed and was considered implemented.
	Partly Implemented	Aspects of the priority one recommendation had been implemented however not considered implemented in full.
	Not Implemented	There had been no progress made in implementing this priority one recommendation.

## Key Financial Systems

**NOTE:** In January 2015 we reported an interim follow-up of progress against Key Financial System reconciliation weaknesses that were identified in the December 2014 audit. In these cases the January 2015 audit assessment is also noted below.

No.	Audit Title and Recommendation	Responsible Area	Response from Management Dec 2014	Audit Assessment January 2015	Audit Assessment April 2015
1	<b>Income &amp; Debt Management</b>  <b>Reconciliations</b>  Reconciliations should be performed on a regular basis and should	Dave Rowe, Head of Exchequer Services	This is due to the implementation of the INTEGRA system which had a go live date of April 2014. A reconciliation will be performed that will cover the period from April 2014 to September	<b>Partially implemented</b>  At the time of testing on 8/1/2015, no formal evidence could be provided to show that the reconciliation for 1 <sup>st</sup> April to 31 <sup>st</sup> October 2014 had been	<b>Current status:</b> Implemented  We confirmed that a reconciliation of accounts receivable and the general ledger had been performed for each month between October 2014 and the testing



No.	Audit Title and Recommendation	Responsible Area	Response from Management Dec 2014	Audit Assessment January 2015	Audit Assessment April 2015
	be authorised by a senior member of the finance team on a timely basis. Both preparer and authoriser should sign and date the reconciliation and archive it appropriately.		2014 in December 2014.	<p>performed or authorised. The sign-off of the reconciliation showing the date prepared and authorised was consequently performed whilst we were on site on 9/1/2014 for the April to October period. The reconciliation for November was also authorised after the audit had commenced and we were unable to see the evidence of the reconciliation being performed prior to this date due to staff absence at the time of testing. We have been informed by senior management that regular reviews of the reconciliations have occurred but evidence could not be seen to support that the reconciliation is performed on a timely basis as a business as usual control.</p> <p>We have seen that the</p>	<p>date.</p> <p>We reviewed the year to date reconciliation which had been completed in February 2015 and noted a reconciling balance of £500. Discussion with management confirmed that this balance will be investigated as part of the year end close down procedures.</p> <p>We also confirmed that the reconciliation had been reviewed by the Senior Finance Officer.</p>

No.	Audit Title and Recommendation	Responsible Area	Response from Management Dec 2014	Audit Assessment January 2015	Audit Assessment April 2015
				reconciliation has been authorised correctly as prepared and signed off by separate and appropriate members of staff. An outstanding balance on the reconciliation of £232k has been noted that had not been thoroughly investigated or clarified as at the time of testing. As the reconciliation has been completed in January 2015 for the period ending 31/10/2014, we would expect that this balance would have been understood and resolved at the time of sign off.	
2	<b>Accounts Payable Reconciliations</b>  Reconciliations should be performed on a regular basis and should be authorised by a senior member of the finance team on a timely basis. Both preparer and	Dave Rowe, Head of Exchequer Services	This is due to the implementation of the INTEGRA system which had a go live date of April 2014. A reconciliation will be performed that will cover the period from April 2014 to September 2014 in December 2014.	<b>Partially implemented</b>  The AP reconciliations for September (covering April - September), October, November and December 2014 were evidenced as being reviewed and authorised in January 2015 after the audit had commenced. We have been	<b>Current status: Implemented</b>  We confirmed that a reconciliation of accounts payable and the general ledger had been performed for each month between October 2014 and the testing date.  We reviewed the year to date reconciliation which had been

No.	Audit Title and Recommendation	Responsible Area	Response from Management Dec 2014	Audit Assessment January 2015	Audit Assessment April 2015
	authoriser should sign and date the reconciliation and archive it appropriately.			<p>informed by senior management that regular reviews of the reconciliations have occurred but evidence could not be seen to support that the reconciliation is performed on a timely basis as a business as usual control. The delay in preparation was due to the difficulties faced by LB Barnet following the transfer in accounting systems from SAP to Integra.</p> <p>To confirm these had been performed and approved appropriately we have reviewed the reconciliation from April to September and the November month reconciliation.</p> <p>We have seen that the reconciliations that were authorised whilst we were on site are performed correctly and are prepared and signed off by separate</p>	<p>completed in February 2015 and noted a reconciling balance of £77. Discussion with management confirmed that this balance will be investigated as part of the year end close down procedures.</p> <p>We also confirmed that the reconciliation had been reviewed by the Senior Finance Officer.</p>

No.	Audit Title and Recommendation	Responsible Area	Response from Management Dec 2014	Audit Assessment January 2015	Audit Assessment April 2015
				<p>and appropriate members of staff.</p> <p>A balance on the reconciliation of £145k relating to a brought forward transfer from SAP for credit notes was noted as a discrepancy between the balances in the ledgers. Per discussion with the Finance Manager, the Council are currently undertaking a project to resolve or write-off the balance before year end (31/03/2015).</p>	
3	<p><b>General Ledger</b></p> <p><b>Control Account Reconciliations</b></p> <p>Reconciliations should be performed on a regular basis and should be authorised by a senior member of the finance team on a timely basis. Both preparer and authoriser should sign and date the</p>	Paul Thorogood, Assistant Director of Finance, CSG	The control accounts will be reconciled on a monthly basis, and signed off appropriately going forward.	<p><b>Partially implemented</b></p> <p>We have reviewed five control accounts from November to ensure that they have been correctly reconciled and authorised for the period. We have also tested the control summary spreadsheet to ensure that it has been completed on a timely basis and is up to date.</p>	<p><b>Current status:</b> Implemented</p> <p>We selected a sample of 25 control account reconciliations performed between 1 October 2014 and 28 February 2015, testing to ensure they have been authorised and the reconciling items had been investigated promptly following the month end.</p> <p>Our testing identified that in all cases the reconciliation had been performed and fully</p>

No.	Audit Title and Recommendation	Responsible Area	Response from Management Dec 2014	Audit Assessment January 2015	Audit Assessment April 2015
	reconciliation and archive it appropriately.			<p>4/5 reconciliations were seen to have been performed correctly, however, one of the reconciliations had not been signed off as authorised at the date of testing.</p> <p>For three reconciliations that were not completed by the Senior Management Accountant, the reconciliation, or confirmation of the reconciliation, had not been sent to the Senior Management Accountant for that month to evidence monitoring of the control accounts. As such, we cannot confirm that all individual control accounts are being centrally monitored to ensure they are completed each month.</p> <p>Upon inspection of the control summary spreadsheet, we noted that the majority of this</p>	documented. We also confirmed that the reconciliation had been reviewed by the Senior Finance Officer.

No.	Audit Title and Recommendation	Responsible Area	Response from Management Dec 2014	Audit Assessment January 2015	Audit Assessment April 2015
				document was incomplete and details of who had prepared the reconciliation (and when) had not been included in the spreadsheet.	
4	<b>General Ledger</b>  <b>Control Account Reconciliations – Suspense Accounts</b>  See above	Paul Thorogood, Assistant Director of Finance, CSG	See above	See above	<b>Current status:</b> Implemented  We confirmed that the Council has one suspense account and the reconciliation of the account had been performed for each month between October 2014 and the testing date.  We reviewed the year to date reconciliation which had been completed in February 2015 and noted a reconciling balance of £163. Discussion with management confirmed that this balance will be investigated as part of the year end close down procedures.  We also confirmed that the reconciliation had been reviewed by the Senior Finance Officer.

No.	Audit Title and Recommendation	Responsible Area	Response from Management Dec 2014	Audit Assessment January 2015	Audit Assessment April 2015
5	<p><b>Council Tax &amp; NNDR Reconciliations</b></p> <p>A daily reconciliation should be performed and should be authorised by a senior member of the finance team on a timely basis. Both preparer and authoriser should sign and date the reconciliation and archive it appropriately.</p>	<p>Paul Thorogood, Assistant Director of Finance, CSG</p> <p>Neil Clarke, Revenues &amp; Benefits Operations Manager</p>	<p>Agree that this has not occurred and actions are in place to rectify this and continue the reconciliations on a monthly basis. The delay has been due to resources and knowledge leaving the CSG team prior to the necessary knowledge required to undertake the reconciliations being imparted to the finance team; we have had to build up that knowledge and this has led to the delays in the monthly reconciliations being undertaken.</p>	<p><b>Partly Implemented</b></p> <p>The CT and NNDR reconciliations for October (covering April - October) and November were evidenced as being reviewed and authorised in January 2015 after the audit had commenced. We have been informed by senior management that regular reviews of the reconciliations have occurred, but evidence could not be seen to support that the reconciliation is performed on a timely basis as a business as usual control. The delay in the initial preparation was due to the difficulties faced by the Revenues and Benefits teams moving off site and the reconciliation transferring to Finance.</p> <p>Large reconciling balances were found on all of the</p>	<p><b>Current status: Implemented</b></p> <p>We confirmed that the reconciliation of the NNDR and Council Tax systems to the general ledger had been performed for each month between October 2014 and the testing date.</p> <p>We reviewed the year to date reconciliations which had been completed in February 2015 and examined evidence to demonstrate that the reconciliations had been reviewed by the Senior Finance Officer on 05/03/2015. There was no evidence provided to demonstrate that the reconciling items were investigated. This was because the investigation process is completed using email and the emails are not routinely retained by management.</p> <p>We did note that in both</p>

No.	Audit Title and Recommendation	Responsible Area	Response from Management Dec 2014	Audit Assessment January 2015	Audit Assessment April 2015
				reconciliations tested and these have not been fully clarified and resolved as of the time of testing. We were able to see that the reconciliation was prepared and sent to be reviewed by a separate and appropriate member of staff, but the authoriser did not sign off the reconciliation as they have questioned the large outstanding balances as these will need to be explained by the Revenues and Benefit's team. As such, as of the time of testing, we could not see that the reconciliation was signed off by the authoriser as completed. As the reconciliation has been authorised in January 2015 for the period ending 31/10/2014, we would expect that this balance would have been understood and resolved at the time of sign off.	cases the balance of reconciling items had reduced from October 2014 and February 2015 and are now below £20k.



No.	Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment April 2015
6	<p><b>Income &amp; Debt Management</b></p> <p><b>Invoice request forms</b></p> <p>Invoices requests should be implemented and authorised before being issued. Due to the large amount of invoices issued, a scheme of delegation of authority could be set up so that invoices could be authorised on a hierarchal basis depending on value.</p>	Paul Thorogood, Assistant Director of Finance	<p>The financial process in place within Integra is identical to the process in place within SAP, where by a 'Sales Order' request is placed on the system and then through an automated process this is turned into an invoice and sent to the customer. It should be noted that credit notes go through an approval loop and are approved by the respective budget manager/holder.</p> <p>In line with the recommendation from the Internal Auditor and in line with best practice, a system configuration change will be made to Integra to introduce a threshold for 'Sales Orders' which require approval. This threshold will be decided following a review of all debtors and credits notes raised in the period and then reviewed periodically and if necessary lowered.</p>	<p><b>Current status:</b> Partly Implemented</p> <p>The functionality of Integra is being re-configured to include a threshold above which sales invoices will automatically require approval. We confirmed that the CSG's proposal to implement this was approved by the Council in March 2015. Feasibility work was undertaken and it was deemed better value for money to undertake the activity alongside the planned upgrade to Integra which will happen in July 2015.</p> <p>The proposal does not currently include a specific threshold. This will be agreed before implementation in July.</p> <p><b>Revised Implementation Date:</b> 31 July 2015</p>

No.	Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment April 2015
7	<p><b>Accounts Payable</b></p> <p><b>BACs request authorisation and reconciliation</b></p> <p>The BACs run should be reviewed and authorised by the AP team to confirm that the payments to be made are accurate and valid.</p> <p>This should then be reconciled against the BACs payment made to ensure that no changes have been made in the migration of the BACs data from the AP system to the BACs system. Evidence of this process should then be archived.</p>	Dave Rowe, Head of Exchequer Services	<p>The BACs run is proposed, reviewed and authorised by one of three members of the AP team (Senior Accounts Payable Officer or Head of Exchequer Services) and this takes place within Integra. On authorisation the system produces a file which is output into an automated process through which the file cannot be changed and uploaded to the BACs Bureau which provides a gateway to the bank.</p> <p>Within Integra the value of the BACs run updates the 'Cashbook' register which is then matched with the expenditure on the bank statement. As part of the 'Cashbook' element of the audit, it was confirmed that reconciliations of the 'Cashbook' and bank accounts were in place and therefore any discrepancy between the authorised value and the amount physically paid would be highlighted through this latter process.</p> <p>During the audit, it was not possible to provide the Auditors within the timescale the evidence that</p>	<p>Current status: Implemented</p> <p>The audit confirmed that the operation of the BACS process has not changed and is consistent with the information documented above in January 2015.</p> <p>The number of entries and total value of the BACS file is checked by the proposals team before being released for payment.</p> <p>A retrospective check is also performed by the cashbook team between the total values of the payment proposal on Integra against the expenditure recorded in the bank statement when the payment is processed. Any differences are investigated by management.</p>

No.	Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment April 2015
			<p>supports that a member of the AP team propose, review and authorise the payment run due to complications in extracting the data from the audit tables within the system. However Management are able to confirm this control has been in place since the 1st April 2014 when the system went live.</p> <p>The necessary reports have now been generated to support the audit work moving forward.</p>	<p>A listing of the individual payment proposals and their value is maintained by management. The listing is retained for one month before being disposed of. This is due to the volume of payment proposals generated.</p> <p>There is sufficient segregation of duties between all areas of the BACs process and we are satisfied that the risk of incorrect BACs payments being made is appropriately mitigated.</p>
8	<p><b>Accounts Payable</b></p> <p><b>New Suppliers</b></p> <p>External validation checks should be performed and recorded on the new supplier form. Evidence of the validation should be as well as the new supplier form should be electronically attached to the supplier account to ensure that a supplier form has been performed for each supplier on the system.</p>	Dave Rowe, Head of Exchequer Services	<p>On the setting up of new supplier appropriate checks are made back to the company to ensure the validity of information received, however this follow up correspondence is not included / noted on the paperwork retained by the service. Moving forward the correspondence and / or file note will be retained, including highlighting who completed the</p>	<p><b>Current status:</b> Implemented</p> <p>We selected a sample of 25 new suppliers created on Integra between 1 October 2014 and 28 February 2015, testing to ensure that a new supplier form was completed and authorised and that evidence was recorded on the system to demonstrate</p>

No.	Audit Title and Recommendation	Responsible Area	Response from Management	Audit Assessment April 2015
			<p>check and when.</p> <p>In addition, we shall begin to upload and scan the change correspondence into Integra and attach this to the supplier record to ensure ease of accessing the record. We shall also consider further whether appropriate segregation of duties are in place within the team or whether the approval of supplier changes should be made by a second team.</p> <p>At the same time it should be noted that any payments to a particular supplier for over £35k are separately approved by a member of staff outside of the Accounts Payable team to validate the bank account and ensure the invoice has been entered correctly into the system.</p>	<p>that the validity of the supplier details had been checked.</p> <p>In all cases we were able to verify that a new supplier form had been completed and authorised appropriately and that supporting evidence had been uploaded on Integra before the date the transaction was completed.</p>

## Other Follow-Ups

9	<p><b>Data Quality (Self Directed Support) – November 2014</b></p> <p><b>Audit Trails</b></p> <p>Audit trails supporting outturn for reporting periods should be retained for independent scrutiny and testing, in line with the Data Quality Policy, as a minimum to support corporately reported outturn and any other key reporting, for example, for statutory returns.</p> <p>The Information Team should undertake periodic spot checks to ensure that reported outturn is supported by sufficient audit trails / source documentation.</p> <p>Officers should be reminded, for example at supervision, to save the relevant documentation correctly in WISDOM.</p>	<p>Performance and Information Manager Adults and Communities - Information Team</p> <p>1 January 2015</p>	<p>This will be completed for Q3 corporate reporting.</p>	<p><b>Partially Implemented.</b></p> <p>Internal Audit was shown file folders on the Clients' 'S' drive which contained SWIFT business objects reports. These acted as an audit trail to support the KPI figures regarding Self Directed Support.</p> <p>We selected a period at random (the position as at the end of March 2015) and were shown the object report at that date, including figures which comprise both the numerator and denominator.</p> <p>Management have confirmed that, to date, periodic spot checks have not occurred; however, Internal Audit was provided</p>
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				<p>with a draft copy of the Adult &amp; Communities Performance Information Team Service Plan for 2015-16 which incorporated the desired spot checks. The draft plan named a responsible officer for undertaking this task and management confirmed that completion of the spot check, as well as keeping folder evidence in WISDOM, will be included in the Officer's Performance Review for 2015/16.</p> <p>Further action required for full implementation:</p> <ul style="list-style-type: none"> <li>• Completion of quarterly spot checks to ensure that the reported outturn is supported by sufficient audit trails / source documentation.</li> </ul> <p><b>Revised implementation date:</b> 30 June 2015 for quarter 1 of the 2015/16</p>
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				outtake.
10	<p><b>Your Choice Barnet Review – July 2014</b></p> <p><b>Day Centre Staff – Right to Work</b></p> <p>Your Choice Barnet (YCB) should confirm that pre-employment checks including Right to Work are contractually agreed with each employment agency and that the signed final copy of each individual contract is kept centrally on file at YCB. The contract should detail that relevant checks will be undertaken prior to agency staff commencing work at YCB.</p>	<p>Director of Care and Support, Your Choice Barnet</p> <p>31 July 2014</p>	<p>YCB has always ensured appropriate pre-employment checks are obtained prior to a new recruit starting work and will continue to do so. The staff files where paperwork was incomplete at the time of transfer have been updated as part of the DBS renewal process. There are a small number where this is outstanding and this has now been bought forward for those individuals; there is no reason to believe that there are any employees working for YCB that do not have a right to do so.</p> <p>All staff records will be stored in a central location.</p> <p>YCB has contractual agreements with all agencies that it uses and is confident that all pre-employment checks are in place as part of those agreements, as a means of providing assurance YCB will periodically sample employment records of agency workers. Signed agreements will be stored in a</p>	<p><b>Partially implemented</b></p> <p>Last quarter Internal Audit reported that YCB had conducted some checks but were awaiting some signed contracts to be returned by the agencies. It was agreed that this would be followed up and monitored by the Quality &amp; Monitoring Officer within the Adults &amp; Communities Delivery Unit, with a revised agreed deadline of 28 February 2015.</p> <p>In April 2015 management have confirmed to Internal Audit that that the recommendation is not yet fully implemented, with status being as follows:</p> <p>There are 5 agencies that it has been confirmed YCB currently use:</p> <p><b>1 is compliant</b> - signed contract in place and site</p>

			central location	<p>visit has been carried out to validate staff files.</p> <p><b>2 are partly compliant</b> - signed contract in place <b>or</b> signed contract reviewed and clarity on right to work has been confirmed via email; however the site visit has not yet occurred.</p> <p><b>2 are not compliant</b> - signed contracts are outstanding and site visits have not yet occurred.</p> <p>The site visits that are outstanding have now been booked and will all be completed by the end of May.</p> <p>Management have confirmed that the outstanding issues over signing of appropriate contracts are being resolved.</p> <p><b>Revised implementation date:</b> 30 June 2015.</p>
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11	The LBB contract with YCB should be updated to include a clause requiring all employees / agency staff to have their Right to Work status confirmed.	<p>Category Manager – Adults and Communities</p> <p>31 August 2014</p>	<p>The contract with YCB will be updated to include a clause in relation to requiring all employees/agency staff to have their Right to Work status confirmed.</p>	<p><b>Partially implemented</b></p> <p>Last quarter Internal Audit reported that LBB have developed a clause to be included in the contract with YCB which defined the obligations of YCB regarding the verification of employee / agency staff's Right to Work status. The contract variation Instruction had been sent to HB Public Law and it was expected that the contract would be formally issued in in March 2015.</p> <p>In April 2015 management have confirmed to Internal Audit that that a KPI regarding Right to Work has been included in the draft contract; however, a number of other proposed contract variations have subsequently caused a delay formally issuing the revised contract as some of the changes need to go to Policy and Resources Committee for approval.</p>
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				<b>Revised implementation date: 30 June 2015.</b>
<b>12</b>	<p><b>Passenger Transport Contracts – October 2014</b></p> <p><b>PTS and Children’s and Adults &amp; Communities engagement</b></p> <p><u>Children’s Service – Education and Skills:</u> The draft SLA should be signed off and monitored by the Children’s Service, especially in relation to:</p> <ul style="list-style-type: none"> <li>• monitoring the quality of service,</li> <li>• regular review meetings between PTS and the Children’s Service representative,</li> <li>• reporting SLA KPIs as part of performance and quality monitoring clauses in the SLA.</li> </ul> <p>Monitoring should take place more routinely in the interim prior to the development, and approval of the final SLA and the introduction of more robust communication arrangements between SEN and Children established by the Project.</p> <p>Note: The quality of service clause of the</p>	<p>Transportation Projects Consultant – SEN</p> <p>31 December 2014 (SLA completion and approval) Implemented (Review meetings)</p> <p>Interim Head of Care Quality, A&amp;C</p> <p>31 December 2014 (SLA</p>	<p>The draft SLA is being revised as part of the work of the consultant engaged to carry out a thorough review of home to school transport. The Project Initiation Document (PID) for this was signed off by the Director of Education and Skills in August and work commenced on 1st September.</p> <p>Regular Liaison and Review meetings between Education and Skills and Street Scene Passenger Transport Service have been established and the first took place on 18th September. These will monitor performance against the present SLA pending the completion of the revised agreement.</p> <p>An SLA between A&amp;C and Street Scene Passenger Transport Service (PTS) will be developed and approved.</p>	<p><b>Implemented</b></p> <p>A SLA (Service Level Agreement) has been formally agreed between Passenger Transport Services (PTS) and the Education and Skills Department. The agreement has been authorised for issue and contains details of:</p> <ul style="list-style-type: none"> <li>• Performance management, including monthly reporting of finances, complaints and statistical data regarding service delivery. The reports will be sent to the Special Educational Needs</li> </ul>

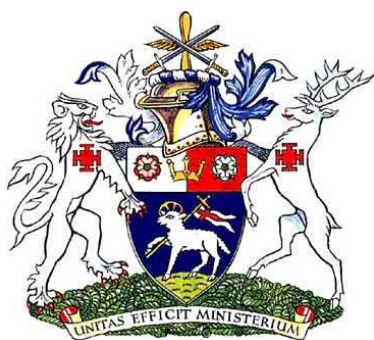
<p>draft SLA covered CRB checking and checks as to whether drivers held valid licences.</p> <p><u>Adults and Communities:</u> Responsibility for oversight of service delivery and communication between the PTS and Adults and Communities should be clarified and communicated to ensure that the service is delivered to expectations and that opportunities for improvement are identified and communicated. Transport plans should be developed to formally communicate requirements to PTS. Monitoring should be undertaken in terms of an up to date and signed SLA.</p>	<p>completion and approval) 30 September 2014 (monthly liaison meetings)</p>	<p>The Terms of Reference and liaison meetings for monitoring the SLA between A&amp;C and PTS will be established by the 30th September 2014.</p>	<p>(SEN) and Inclusion Manager.</p> <ul style="list-style-type: none"> <li>Annual and monthly review meetings between the PTS and Children's service to monitor the SLA.</li> </ul> <p>A SLA between Adults and Communities and PTS has also been agreed and issued. The agreement details</p> <ul style="list-style-type: none"> <li>Performance monitoring, including monthly performance indicators covering vehicle condition, journey times, training of drivers/escorts, complaints and health and safety incidents/accidents.</li> <li>Monthly meetings to monitor the contract.</li> </ul> <p>Last quarter (quarter 3,</p>
	<p>Head of Joint Commissioning, A&amp;C)</p> <p>Commencing October 2014 (contract monitoring meeting)</p>	<p>A&amp;C commissions care for service users from Your Choice Barnet (YCB) under a 5-year contract. PTS is used to transport service users to / from YCB establishments. The YCB contract is managed through regular contract monitoring meetings with a named relationship manager and dedicated contract manager. This forum will be used to monitor any issues relating to the transport of YCB service users, linking into the aforementioned liaison meeting which oversees the Transport SLA between A&amp;C and PTS plus also linking directly to YCB and A&amp;C operational management as appropriate in order to proactively manage or resolve issues particularly where these have safeguarding implications.</p>	
	<p>Environment Service Manager – Transport</p> <p>31 December 2014</p>	<p>The 2014 / 15 Passenger Transport Service SLA to be reviewed by Children Services and Passenger Transport management based on</p>	

		(SLA completion and approval)	the TAS (specialist public transport consultancy) review of commissioning through to delivery of PTS commencing 1st October 2014.	2014/15) Internal Audit confirmed that regular meetings were being held between both SEN and Adults and Communities with PTS.
		Environment Service Manager – Transport Implemented	The first Liaison and Review meeting between Children Services and Passenger Transport management took place on 18th September.	
		Transformation Projects Consultant – SEN 31 October 2014	At the meeting PTS presented the Street scene KPI report generated monthly by the PTS management. Transportation Projects Consultant – SEN to provide Environment Service Manager – Transport with comments on items to be included /excluded.	
		Environment Service Manager – Transport 30 September 2014	The first Liaison and Review meeting between Adults & Communities and Passenger Transport management to take place on 30th September.	
		Acting Children's Social Care Assistant Director, Data and Systems Assurance Manager	Review of ICS system commencing in September 2014 to incorporate findings from this audit.	

		30 September 2014		
13	<b>Schools Budgets –Data Protection Finding</b>  <b>Website publication of the schools funding</b>  The breach should be reported and dealt with in-line with the Council's Data Protection policy.	Head of Finance/Schools Funding Manager  Immediate effect	Any breach of data breach will be reported in line with the Council's Data Protection Policy and reported to the Information Management Team as soon as an incident has been identified.	<b>Implemented</b>  The breach was reported to the Information Management team as required and the information removed from the website immediately.
	All schools finance information on the website at present should be reviewed immediately and removed where sensitive information is identified.	Head of Finance/Schools Funding Manager  Immediate effect	The information published was immediately removed. At the same time all other information was reviewed and no further breaches were found.	
	Management should implement a control whereby all information published in relation to schools budgets is reviewed prior to it being published on the website to ensure the Council are compliant with data protection requirements.	Head of Finance/Schools Funding Manager  31 December 2014	A control has been immediately implemented whereby an independent person reviews and signs off the information prior to publication.	

	<p>All schools budget information published on the Council's website should be published in pdf format only to prevent information in 'hidden tabs' being made available in error.</p>	<p>Head of Finance/Schools Funding Manager</p> <p>Ongoing</p>	<p>Where possible information will be published in .pdf format. However this will not be possible when publishing school budget shares (each School accesses their data by filtering on a dropdown) which will need to remain in excel format. Publication in a .pdf format for this type of data will be possible when there is a facility for schools to login onto their own portal.</p>	
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AGENDA ITEM 8



## Audit Committee

### 30<sup>th</sup> April 2015

<b>Title</b>	<b>Internal Audit, Corporate Anti-Fraud Team (CAFT) and Risk Management Plan 2015-16 and Internal Audit Charter update</b>
<b>Report of</b>	Clair Green – Acting Assurance Director Caroline Glitre – Head of Internal Audit
<b>Wards</b>	N/A
<b>Status</b>	Public
<b>Enclosures</b>	Appendix A - Internal Audit, CAFT & Risk Management Plan 2015-16  Appendix B - Internal Audit Charter
<b>Officer Contact Details</b>	Caroline Glitre, Head of Internal Audit <a href="mailto:caroline.glitre@barnet.gov.uk">caroline.glitre@barnet.gov.uk</a> 020 8359 3721

## Summary

### Appendix A: Internal Audit, CAFT & Risk Management Plan 2015-16

The risk-based plan has been formulated in line with the requirements of the Public Sector Internal Audit Standards.

The Institute of Internal Auditors (IIA) describes assurance mapping as a tool to ensure key risks are assured across your organisation – driving out gaps and overlaps in the assurance jigsaw. We have used this approach to help inform where internal audit resource should be directed in 2015/16 to ensure that duplications of assurance activities or gaps in coverage are identified, and that the internal audit budget is used efficiently and effectively. The exercise has involved:

- Analysing the Council's services to define its 'Auditable Units' (of which we have assessed there are currently 235) - key activities performed by the Council which could be audited by internal audit;
- Reviewing the corporate risk register;
- Discussing each auditable unit with the appropriate Commissioning Director, Delivery Unit

Director and / or Assistant Director and their wider team to identify other sources of assurance and emerging risks;

- Undertaking a workshop between Internal Audit, Risk Management and Fraud colleagues to challenge areas for review;
- Applying an 'Audit Requirement Rating' to each auditable unit. This is made up of the following:
  - **Inherent Risk Rating.** A combination of assessed Impact and Likelihood
  - **Control Environment Indicator.** This is based on our judgement from knowledge of the controls in operation in that unit, and consideration of other sources of Assurance over that unit.
- Prioritising the auditable units with the highest Audit Requirement Rating of 5 to design a plan that makes the best use of the resources available;
- Provisionally allocating auditable units to future years' plans using the following rationale:
  - Audit requirement rating 5 = every year
  - Audit requirement rating 4 = every 2 years
  - Audit requirement rating 3 = every 3 years
  - Audit requirement rating 2 or 1 = not subject to audit
- Seeking agreement by the Strategic Commissioning Board (SCB) and the Audit Committee to ensure coverage of the core aspects of the Council's governance and control environment.

The final draft plan represents an independent view of those risk areas that need audit review in 2015-16.

During the year, if changes are required to the plan in response to any new local or national risks, this will be communicated to the Audit Committee in a timely manner. There is a contingency within the plan to enable it to be responsive in this way.

The plan will form the basis of quarterly reporting to the SCB and the Audit Committee.

The plan also incorporates updated performance indicators for Internal Audit and CAFT that will be reported to the Audit Committee for scrutiny and challenge.

The Head of Internal Audit is satisfied that the Plan will provide assurance on the adequacy of the internal control environment, anti-fraud and risk management arrangements and therefore that it will be possible to produce an annual opinion at the end of the year summarising the assurances obtained.

#### **Appendix B: Internal Audit Charter**

An update to the Internal Audit Charter is also presented as an Appendix to the annual plan. The Charter was first approved in July 2013 and this is the first revision. A summary of the changes is as follows:

- Expanded description of Advisory work (section 8)
- More explicit referral to how officers should notify Assurance Group on suspected or detected fraud (section 9)
- Reference to assurance protocols in place with Capita and the Barnet Group (section 12)
- Reference to the Quality and Improvement Programme (section 13) including the requirement for an external review of the Internal Audit service and our proposed approach:

#### **External Review of the Internal Audit service**



The Public Sector Internal Audit Standards (PSIAs), introduced on 1<sup>st</sup> April 2013, require an external review of the Internal Audit Service to be undertaken at least every 5 years. The first review must be completed by 31<sup>st</sup> March 2018.

The reviews require an appropriate sponsor outside of the Internal Audit service, and we would like to engage both the Chief Executive and the Chair of the Audit Committee as sponsors to our review.

We propose that the review be undertaken as part of the London borough Peer Review process (in which 32 of the 33 boroughs are participating). A peer review has been chosen as the most efficient, cost effective method and also a learning opportunity for our Internal Audit team who will undertake an assessment of another borough as part of the process.

There is a standard approach being adopted for all the London borough peer reviews and all reviewers must be part of an Internal Audit team at a London borough.

There are safeguards within the system to ensure independence, for example:

- you cannot review a neighbouring borough that you have close ties with
- there is a moderation process
- you cannot both give and receive a review in the same year as this could result in the moderation session being perceived to be unfair
- there is an additional mandatory Conflict of Interest process when the allocation of a review borough is made.

## **Recommendations**

- 1. That the Committee approves the Internal Audit, Anti-Fraud and Risk Management Plan for 2015-16.**
- 2. That the Committee approves the updated Internal Audit Charter.**

### **1. WHY THIS REPORT IS NEEDED**

- 1.1 The Audit Committee's role in receiving the Internal Audit, Anti-Fraud and Risk Management plan for 2015-16 is to consider the planned programme of work.
- 1.2 The Audit Committee's role in receiving the updated Internal Audit Charter is to approve the Charter in line with the requirements of the Public Sector Internal Audit Standards.

### **2. REASONS FOR RECOMMENDATIONS**

- 2.1 Compliance with the Public Sector Internal Audit Standards.

### **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

3.1 Not relevant.

#### **4. POST DECISION IMPLEMENTATION**

4.1 The Internal Audit Plan will be delivered and progress against the plan reported to the Audit Committee on a quarterly basis.

#### **5. IMPLICATIONS OF DECISION**

##### **5.1 Corporate Priorities and Performance**

5.1.1 All internal audit and risk management planned activity is aligned with the Council's objectives set out in the Corporate Plan 2015-2020, and thus supports the delivery of those objectives by giving an auditor judgement on the effectiveness of the management of the risks associated with delivery of the Council's services.

5.1.2 A comprehensive Internal Audit Plan is essential to giving an annual Internal Audit Opinion on the internal control environment (ICE) which is fundamental for the achievement of all of the Council's objectives. This opinion forms an integral element of the Annual Governance Statement.

5.1.3 The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Anti-Fraud Team supports this by continuing to provide an efficient, effective value for money anti-fraud activity.

##### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

5.2.1 This Plan, by being based on the risks of the organisation, will ensure the appropriate allocation of resources to those areas that require audit review, assurance and anti-fraud activity.

5.2.2 In addition, the follow-up of priority one audit/CAFT recommendations will ensure that a positive culture of internal control and anti-fraud improvement is achieved.

5.2.3 The proposed plan is being achieved from Internal Audit, CAFT and Risk Management's current budget.

##### **5.3 Legal and Constitutional References**

5.3.1 There are no legal issues in the context of this report.

5.3.2 The Council's Constitution, Responsibilities for Functions – Annex A - the Audit Committee terms of reference details the terms of reference of the Audit Committee including:

- To consider the audit annual report, plan and opinion.
- To consider the anti-fraud strategy, annual anti-fraud work plan and CAFT Annual Report.
- To monitor the effective development and operation of risk management and corporate governance in the Council.

##### **5.4 Risk Management**

5.4.1 The Plan is based upon the risks of the organisation and supports the

Council's risk management system and processes as each internal audit or pro-active anti-fraud exercise will either comment on how well risks are being managed or how effective the controls to mitigate the risks in the area under review are.

5.4.2 Outcomes from internal audits / pro-active anti-fraud will either confirm effective management of risk or suggest areas for improvement. In addition, this will provide Directors with assurances that managers are being effective in managing the risks within the service.

5.4.3 Internal Audit work contributes to increasing awareness and understanding of risk and controls amongst managers and thus leads to improving management processes for securing more effective risk management.

## **5.5 Equalities and Diversity**

5.5.1 Effective systems of audit, internal control, anti-fraud, risk management and corporate governance provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community. Individual audits and CAFT exercises assess, as appropriate, the differential aspects on different groups of individuals to ensure compliance with the Council's duties under the 2010 Equality Act.

## **5.6 Consultation and Engagement**

5.6.1 N/A

## **6. BACKGROUND PAPERS**

6.1 Audit Committee 29 April 2014 (Decision Item 10) - the Committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan and Risk Management approach 2014-15.

<http://barnet.moderngov.co.uk/documents/g7501/Printed%20minutes%2029th-Apr-2014%2019.00%20Audit%20Committee.pdf?T=1>

6.2 Audit Committee 24 July 2013 (Decision Item 14 (2)) - the Committee approved the Internal Audit Charter.

<http://barnet.moderngov.co.uk/documents/g6596/Printed%20minutes%2024th-Jul-2013%2019.00%20Audit%20Committee.pdf?T=1>

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# INTERNAL AUDIT, ANTI-FRAUD AND RISK MANAGEMENT PLAN 2015-16

Clair Green, Acting Assurance Director

Caroline Glitre, Head of Internal Audit

Maria Lugangira, Risk Assurance Manager

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Performance Indicators

# INTRODUCTION

This document presents the Council's Internal Audit and Anti-Fraud Strategy & Annual Plan and Risk Management Approach for the period 2015-16. The plan covers the work of the in-house teams for Internal Audit, Anti-Fraud and Risk Management working with the Council's current strategic partner – Price Waterhouse Coopers (PwC).

## **Internal Audit**

Internal Audit provide independent and objective assurance to the Council, its Members, the Strategic Commissioning Board (including the Chief Operating Officer) to support them in discharging their responsibilities under S151 of the Local Government Act 1972, relating to the proper administration of the Council's financial affairs.

Internal Audit ensure a positive culture of internal control improvement, effective risk management and good governance. The purpose, authority and responsibility of the internal audit activity are formally defined in the Internal Audit Charter, which will be periodically reviewed and presented to senior management and the Audit Committee for approval. Internal audit will be delivered and developed in accordance with this Charter.

## **Corporate Anti Fraud Team**

CAFT supports the Council in its statutory obligation under section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.

CAFT operate in accordance with appropriate legislation, powers and responsibilities assigned to it as set out within the financial regulations section of the Council's constitution and the Counter Fraud Framework. Work processes in the team are designed for maximum efficiency and as such all functions are intrinsically linked and are dependent on each other in order to ensure CAFT continue to provide an efficient value for money counter fraud service and that is able to investigate all referrals or data matches to an appropriate outcome.

CAFT provide advice and support to every aspect of the organisation including its partners and contractors. This advice varies between fraud risk, prevention and detection, money laundering and other criminal activity as well as misconduct and misuse of public funds. Some of the matters will progress to criminal investigation and others will not, but in all cases appropriate actions, such as disciplinary are taken.

CAFT provide progress reports to the Senior management and Audit Committee on a quarterly and Annual cycle.

# INTRODUCTION

## Internal Audit Service Provision

The Internal Audit service is delivered through a mixed economy model, which includes an in house team and external provider, currently PwC. Over the past 18 months we have worked closely with 5 other London Boroughs (Islington, Camden, Enfield, Lambeth and Harrow) to jointly procure a framework for the provision of internal audit, risk management, investigation and advisory services. We commenced drawing down against this framework in September 2014.

The vision for the Cross Council Assurance Service is to support participating boroughs in creating an optimised assurance service that enables each organisation to manage risk more effectively, improve service agility and the ability to deliver more for less.

The six boroughs participating in the framework, along with the selected external provider, form the Cross Council Assurance Service (CCAS). Joining the framework enables us to:

- work more closely with a number of other London Boroughs, sharing expertise, knowledge, working practices to further enhance the efficiency and effectiveness of the service; and
- develop a platform, with a lead external partner, which would harmonise working practices and audit processes, enhance the skills and capacity of the in house teams to deliver a greater proportion of internal audit work and to potentially share audit activity and resource planning.

## Risk-Based Plan

The risk-based plan has been formulated in line with the requirements of the Public Sector Internal Audit Standards. The Institute of Internal Auditors (IIA) describes assurance mapping as a tool to ensure key risks are assured across your organisation – driving out gaps and overlaps in the assurance jigsaw. We have used this approach to help inform where internal audit resource should be directed in 2015/16 to ensure that duplications of assurance activities or gaps in coverage are identified. The exercise has involved:

- Analysing the Council's services to define its 'Auditable Units' (of which we have assessed there are currently 235) - key activities performed by the Council which could be audited by internal audit;
- Reviewing the corporate risk register;
- Discussing each auditable unit with the appropriate Commissioning Director, Delivery Unit Director and / or Assistant Director and their wider team to identify other sources of assurance and emerging risks;
- Undertaking a workshop between Internal Audit, Risk Management and Fraud colleagues to challenge areas for review;
- Applying an 'Audit Requirement Rating' to each auditable unit. This is made up of the following:

**Inherent Risk Rating.** A combination of assessed Impact and Likelihood

**Control Environment Indicator.** This is based on our judgement from knowledge of the controls in operation in that unit, and consideration of other sources of Assurance over that unit.



# INTRODUCTION

- Prioritising the auditable units with the highest Audit Requirement Rating of 5 to design a plan that makes the best use of the resources available;
- Provisionally allocating auditable units to future years' plans using the following rationale:
  - Audit requirement rating 5 = every year
  - Audit requirement rating 4 = every 2 years
  - Audit requirement rating 3 = every 3 years
  - Audit requirement rating 2 or 1 = not subject to audit
- Seeking agreement by SCB and the Audit Committee to ensure coverage of the core aspects of the Council's governance and control environment.

In addition, the draft plan contains 6 reviews which were deferred from 2014/15, ongoing assurance work including the Continuous Auditing Methodology approach towards Key Financial Systems, Schools audits (which are conducted in accordance with a risk-based cycle) and a number of grant claim/statutory return reviews.

The Assurance Map is a live document and will be refreshed on an on-going basis throughout the year, through discussions with senior management, Members and stakeholders. We will use this to inform and support any changes to the audit plan that are required.

## Corporate Objectives

This strategy and plan demonstrate how Internal Audit, the Corporate Anti-Fraud Team (CAFT) and Risk Management support the Council in achieving its overall aims and objectives whilst maintaining the necessary professional standards.

The Council's Corporate Plan 2015-2020 identifies a set of strategic objectives which have been based on consultation with residents:

The Council, working with local, regional and national partners, will strive to ensure that Barnet is a place:

1. Of opportunity, where people can further their quality of life...
2. Where people are helped to help themselves, recognising that prevention is better than cure...
3. Where responsibility is shared, fairly...
4. Where services are delivered efficiently to get value for money for the taxpayer...

These objectives will be reviewed as part of each audit, as applicable.

# INTRODUCTION

## Officer and Management Responsibilities

For the Assurance Group to contribute to the Council's overall achievement of its objectives, it is essential that officers and management play a full role in the work of the Group. The expectations from management are:

- Strategic level involvement to inform the annual plan;
- Operational level involvement with individual reviews;
- Being open and honest with audit and CAFT staff;
- Making staff and records available when requested;
- Responding to draft reports in the agreed timescale;
- Only accepting recommendations with which they agree, and providing timescales for implementation that are achievable; &
- Implementing the agreed actions (by the agreed date) arising from the reviews.

The responsibility for a sound system of internal control and the prevention and detection of fraud rests with management. Work performed by the Assurance Group should not be relied upon to identify all strengths and weaknesses in internal controls, nor relied upon to identify all circumstances of fraud or irregularity. Those risks identified and recommendations raised should be considered in line with the Council's current Risk Management strategy.

## Independence

The Internal Audit, CAFT and Risk Management functions are organisationally independent from the Strategic Commissioning Board and other Council officers.

## Managed Audit Approach

Internal Audit, CAFT and Risk Management are committed to the managed audit approach, which ensures joining up with External Audit to make the best use of resources and to avoid duplication of effort. We liaised with External Audit during the preparation of this Annual Plan thereby ensuring coverage of the corporate risks.

## Emerging issues

There is a contingency in place to enable this plan to be responsive to changes in risks throughout the year. The Council is undergoing a period of rapid change, with numerous significant change projects underway. The contingency will allow internal audit and anti-fraud to respond as required.

During the year, if changes are required to the plan in response to this or any new local or national risks, this will be communicated to the Audit Committee in a timely manner.

# ANTI FRAUD STRATEGY AND APPROACH

Our annual anti-fraud strategy is centred on the strategic approach as outlined in 'Fighting Fraud Locally' (Local Government Fraud Strategy) and provides a blueprint for a tougher response to public sector tackle fraud. We have further adapted our strategy to incorporate a response to the local fraud risks facing the Council as well as national fraud risks identified within various public sector good practice guidance.

Nationally there have been significant changes which you will note in our approach for 2015/16, namely the national transition to a Single Fraud Investigation Service (SFIS) for all welfare benefit fraud investigations. Barnet is due to transfer to on 1<sup>st</sup> July 2015 and this means that both the benefit fraud investigation work and the CAFT employees principally undertaking the work will transfer to the Department of Works and Pensions (DWP). Following the transfer those affected staff will be employed by the DWP and will relocate to DWP offices.

Therefore part of our focus for 2015/16 will be the migration of work to the DWP, establishing and maintaining effective new working arrangements with SFIS, which will form part of our overall strategic approach and our annual work plan compliments and delivers against all the strategic objectives detailed below.

This strategy demonstrates and supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity including any Money Laundering activity.

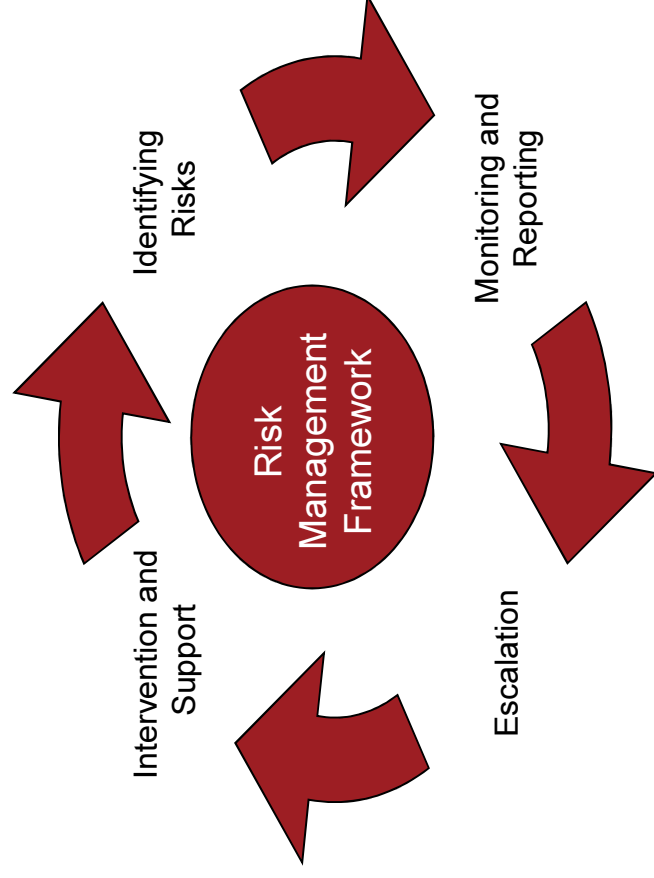


# RISK ASSURANCE APPROACH

The Council's Risk Management Policy is to proactively identify, understand and manage risks inherent in the delivery of our services and associated with our plans and strategies, so as to encourage responsible, informed risk taking. Risk Assurance focuses on enabling the organisation to identify, monitor, report and escalate risks as well as playing an intervention and support role as required.

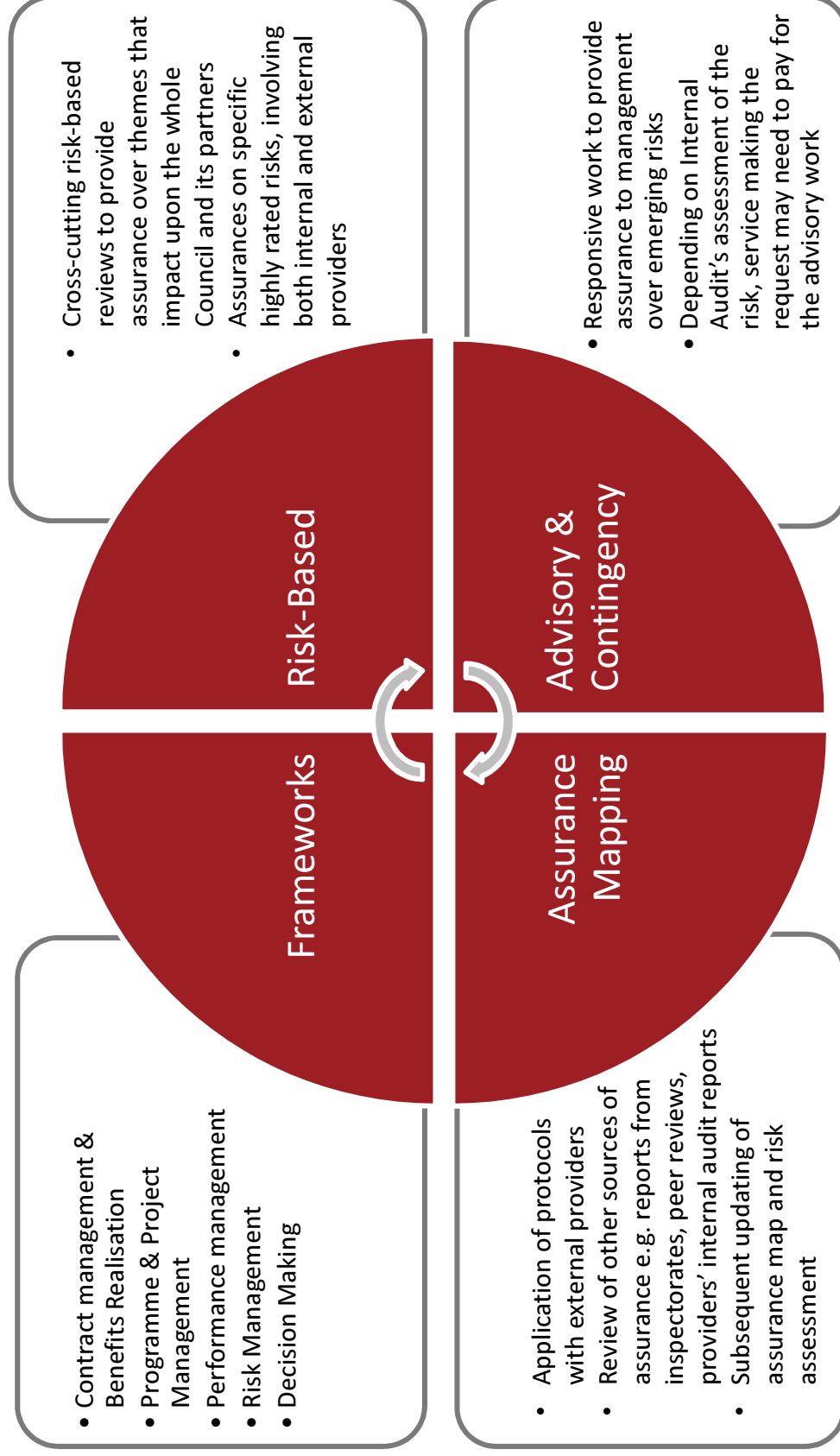
Risk Assurance is responsible for delivering a robust risk assurance function through the risk management framework that ensures the Council meets the highest standards of risk management. Risk management should be a central part of strategic management and business planning; it is the process whereby the organisation methodically addresses the opportunities and threats attached to their activities with the goal of achieving sustained benefit across the portfolio of all activities.

The Risk Assurance function provides challenge, ensures consistency of approach, advises on joint risks, cross cutting risks, risk conflicts and responds to serious incidents. Risk Assurance plays a role in the development and management of the SCB Risk Register, Quarterly Performance reports (which include risks that have been challenged by the risk assurance function and delivery board prior to submission to SCB and Performance and Contract Monitoring Committee for publishing) .



# OVERALL APPROACH

The following four quadrants underpin the Audit and Anti-Fraud programme.



# OVERALL SUMMARY

As summarised in the tables below Internal Audit, CAFT and Risk Management will deliver 1050 audit, 3046 corporate anti-fraud and 180 risk management days in 2015-16. The following pages detail the assurance plan for each aspect of the Council.

The budget and resources allocated to the service are deemed sufficient to enable an annual audit opinion to be prepared and reported. In deriving this plan the resources have been considered in terms of the skills of both the in-house team and the strategic partner, PwC. During the course of the year, if the Head of Internal Audit believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, this will be brought to the attention of the Audit Committee.

Area	Days 2015/16	Days 2014/15
Cross-Cutting	202	215
Internal Delivery Units	192	210
External Delivery Units & Support Services*	252	240
Commissioning Group & Assurance Group	159	150
Management, Follow-up and Reporting	145	190
Contingency	100	45
Risk Management	180	180
CAFT proactive work	385	165
CAFT reactive and continuous investigation**	2661	3355
<b>Total Days</b>	<b>4276</b>	<b>4750</b>

\* Includes 100 days for schools audits

\*\* The reduction in CAFT reactive days is due to the transfer of staff to the Department for Work and Pensions Single Fraud Investigation Service (SFIS)

# PROACTIVE PLAN

## CROSS-CUTTING REVIEWS

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Transformation	Projects and Programmes	Q1 & Q3
Project Management Toolkit - Follow Up	Projects and Programmes	Q1
Capital Projects - Development Pipeline	Projects and Programmes	Q2
Alternative Delivery Models	Internal Governance	Q2
Speed of Implementing Decisions	Internal Governance	Q4
Data Quality – PI spot checks	Data Quality	Q1234
Various grant claims requiring Internal Audit input: <ul style="list-style-type: none"> <li>• Community Capacity Grant (30 June deadline – Q1)</li> <li>• Pothole Fund (30 Sep deadline – Q2)</li> <li>• Bus Subsidy Grant (30 Sep deadline – Q2)</li> <li>• Other grants as required</li> </ul>	Grants	Q1234

# CROSS-CUTTING REVIEWS

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Performance Management Framework <i>2015/16 focus: Escalations</i>	Performance Management	Q3
Contract Management & Benefits Realisation Framework - Toolkit Compliance	Contract Management	Q1 and Q4
Conflict Management	Procurement	Q1
Procurement – Compliance with Contract Procedure Rules	Procurement	Q2
<b>CAFT Proactive reviews</b> The level of proactive anti-fraud work will be dependent on how much reactive work is received by CAFT. As a result not all areas may be reviewed in 2015-16 . Any areas that are still relevant will be carried forward to 2016-17.	<b>National Fraud Initiative</b> National Fraud Initiative – 9,500 Data Matches These include area's such as Disabled Blue Badge, Parking Permits, Direct Payments, duplicate Invoices, Pensions, Payroll	
	<b>CIPFA National Counter Fraud Hub</b> Barnet will be working in partnership with CIPFA and a number of other local authority's to pilot their National Counter Fraud Hub – a data analytics tool bringing public and private sector data together in order to proactively identify fraud and error.	



# INTERNAL DELIVERY UNITS

## ADULTS & COMMUNITIES

Provisional Audit Title		Auditable Unit(s)	Provisional timing
Financial Assessment (Joint audit with CAFT)		Assessment & Care Management	Q1
Better Care Fund - Pooled Budget Arrangements		Better Care Fund	Q2
Client Affairs		Client Affairs - Appointeeship, Deputyship and Protection of Property	Q3
Care Act Compliance		Residential care homes / Support for Carers	Q4

# EDUCATION & SKILLS

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Schools Improvement Data	Schools monitoring	Q1 - to underpin schools audit approach
SEN Follow-Up - Education Healthcare Plans (EHCs)	SEN (Special Educational Needs)	Q2
Catering Traded Service (Joint audit with CAFT)	Catering	Q3
Individual audits of schools Auditing of schools and Pupil Referral Units in accordance with risk cycle to ensure compliance with the financial regulations. From September 2015 potentially to include coverage of other areas of risk as agreed with Education & Skills, the Chief Operating Officer and the Audit Committee.	Schools Audits	Q1234
CAFT Proactive Review	Schools Admissions Proactive targeted anti-fraud work in this area to ensure the safeguarding of school placements.	

## FAMILY SERVICES

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Foster Carer & Adoption Payments – Controccc system	Foster Care / Adoption	Q2
Troubled Families Payment by Results	Troubled Families	Q1234

## STREET SCENE

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Fleet Management (Joint audit with CAFT)	Fleet Management	Q2
Residential Waste - Collection and Disposal	Residential Waste / Recycling (including food waste)	Q3

## EXTERNAL DELIVERY UNITS & SUPPORT SERVICES

For external delivery units and Joint Ventures we will undertake Assurance Mapping of the sources of assurance that are available over key risks. We will then undertake any further audit work as required. Audit clauses of contracts or management agreements may need to be invoked accordingly where the assurances available over the Council's key risks are not sufficient.

### BARNET HOMES

Provisional Audit Title	Auditable Unit(s)	Provisional timing
<b>Review of Barnet Group Internal Audit plan and reports</b> - to provide assurance over the whole delivery unit and to identify any gaps in assurance over key risks to the Council.	Various – focus on Barnet Homes	Q1

### CSG

Days are included within our plan to ensure sufficient assurance is obtained over the Key Financial Systems that underpin the Council's financial statements. We will liaise with External Audit to ensure the work undertaken will be sufficient for their purposes when auditing the Council's financial statements.

In 2014/15 we introduced a new approach to the testing of the Key Financial Systems – the **Continuous Audit Methodology (CAM)**. Design of the key controls was assessed at the initial phase of testing and sample testing of key controls to determine operating effectiveness was completed. The report that was issued outlined the performance of the key controls, acting as a benchmark for comparison when the equivalent testing is performed for these financial systems in 2015/16.

In 2015/16 in quarters 2 and 4 we plan to revisit the areas that received limited assurance in 2014/15. We have added two new areas to the CAM approach for 2015/16 (fixed assets and budget monitoring) which we also plan to review in both quarters 2 and 4. Other areas will only be reviewed in quarter 4.

Delivery Unit	Auditable Unit(s)	Provisional Audit Title / Description	Provisional timing
CSG – Finance – Key Financial Systems	Accounts Payable	Accounts Payable ( <b>Joint audit with CAFT</b> ) <i>To include coverage of feeder systems into Integra</i>	Q2 and Q4
	Accounts Receivable	Accounts Receivable <i>To include coverage of feeder systems into Integra</i>	
	General Ledger	General Ledger	
	Fixed Assets	Fixed Assets	
	Budgetary setting and monitoring	Budget Monitoring	
	Treasury Management	Treasury Management	
	Cash & Bank	Cash Management	
	Payroll	Payroll	
CSG - Revenues & Benefits	Pensions	Pensions Administration	Q4 only
	Housing Benefits	Housing Benefits	
	Council Tax	Council Tax	
	National Non-Domestic Rates	NNDR	

## RE

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Highways Expenditure	Highways	Q2
Carbon Reduction Commitment	NRG Efficiency and Carbon Reduction	Q2
Regeneration Programme	Regeneration	Q4

# COMMISSIONING GROUP & ASSURANCE GROUP

## ASSURANCE GROUP

Provisional Audit Title	Auditable Unit(s)	Provisional timing
Schemes of Delegation	Council governance and decision making	Q2
Area Committee Budgets	Council governance and decision making	Q3
Risk Management	Risk Management	Q4



# COMMISSIONING GROUP

Provisional Audit Title	Auditable Unit(s)	Provisional timing
CSG and Re Invoicing / Gain Share Agreements	Accounts Payable	Q1
Business Continuity Strategy	Business Continuity & Emergency Planning / Disaster Recovery	Q1
Information Security – Cyber Risk (Joint audit with CAFT)	Various	Q1
Shared Legal Service - Clienting & Governance	Legal Service	Q2
IT Strategy	IT Strategy	Q2
IT Helpdesk - Operation	IT Helpdesk	Q3
Parking Permit Administration	Parking Permits	Q3
Workforce Planning	Establishment List	Q3
CCTV (Joint audit with CAFT)	CCTV	Q4

# RISK ASSURANCE PRIORITIES

Risk management is a continuous and developing process that systematically addresses risks surrounding the organisation's activities past, present and future, therefore, Risk Assurance supports the on-going improvement of risk management practice across the organisation; objectives this year are described below.

Objective	Description
<b>Risk Management Framework</b>	Annual review of the corporate policy and procedure document to ensure it remains current, relevant and up-to-date and reflects best practice and corporate priorities.
<b>Risk Management Approach</b>	A document describing the way the risk management framework is implemented in internal delivery units and for specific organisational activities like contract management internal governance boards, and joint risk reporting with external partners.
<b>Assurance Mapping</b>	Map assurance coverage of the key process which support the Annual Governance Statement to enhance the self assurance process and ensure there is no duplicated effort or gaps and to understand where the assurance roles and accountabilities reside and the key sources of assurances that they provide.
<b>Implement Training and Development Plan</b>	Training and development plays an important role in ensuring risk management roles and responsibilities are understood and risk management is properly embedded into processes and culture through awareness raising, challenge and promoting best practice through continuous improvement and learning. A priority will be a refresh of risk management training for risk champions and risk owners, and partners.
<b>JCAD, Corporate Risk Management System</b>	Continuous review and cleanse of users in system and structure to ensure that JCAD effectiveness is optimised through training and challenge.

# CAFT CONTINUOUS AND REACTIVE WORK STREAMS

This table details the continuous and re-active investigation work of the team. Resources within the team are directed as appropriate and necessary throughout the year in response to the level of risk and investigation work required.

Description of work	
<ul style="list-style-type: none"> <li>• To investigate all suspected frauds committed against the Council and effectively pursue fraudsters, by risk assessing and reacting accordingly to all instances of internal and external fraud, corruption or bribery.</li> <li>• Ensuring that we seek appropriate penalties in accordance with the law , the counter fraud framework and relevant council policies whilst actively recovering any losses and obtaining compensation by utilising our in-house Financial Investigation Officers.</li> </ul>	<ul style="list-style-type: none"> <li>• To effectively deal with the prevention, detection, deterrence and investigation (and prosecution where appropriate) of all aspects of Tenancy Fraud including maximising the recovery of properties where Tenancy Fraud is proven.</li> <li>• Utilising data from the London Fraud Hub – in relation to Tenancy Fraud.</li> </ul>
<ul style="list-style-type: none"> <li>• Q1 only: - To continue to effectively deal with the prevention, detection, identification, deterrence and investigation (and prosecution where appropriate) of Housing and Council Tax Benefit and Council Tax Support, Fraud and Error, in partnership and in accordance the Department of Work and Pensions (DWP) guidelines and Fraud and Error Strategy.</li> <li>• From Q2 onwards - be the council's central point of contact and support for SFIS, including information exchange, fraud re-assessment work , provide expert witness statements and evidence bundles and attend court as required.</li> </ul>	

# PERFORMANCE INDICATORS – INTERNAL AUDIT

The service has a number of performance indicators in place to assess whether performance is effective and efficient. These have been updated for 2015/16 to provide a more meaningful insight into the performance of the service.

Performance Indicator	Target	Reporting frequency
% of Plan delivered	Based on 95% complete of those due in quarter	Quarterly
Number of review due to commence vs. commenced in quarter	95%	Quarterly
% of reports year to date achieving: <ul style="list-style-type: none"> <li>• Substantial</li> <li>• Satisfactory</li> <li>• Limited</li> <li>• No Assurance</li> </ul>	N/A	Quarterly
Number / % of Priority 1 recommendations: <ul style="list-style-type: none"> <li>• Implemented</li> <li>• Partly implemented</li> <li>• Not implemented</li> </ul> in quarter when due	90%	Quarterly
Number / % of Priority 1 recommendations due / implemented year to date	90%	Annual
Staff with professional qualifications	70%	Annual
% of recommendations accepted	98%	Exception basis - if not met
Average client satisfaction score (above 3)	90%	Exception basis - if not met

# PERFORMANCE INDICATORS – CAFT

The service has a number of performance indicators in place to assess whether performance is effective and efficient. Performance against these indicators will be reported to the audit committee on a quarterly basis as well as detail's of outcomes on noteworthy investigations.

Performance Indicator
<u>Corporate Investigation Team</u>
Number of Fraud investigations
Number of Financial investigations (under Proceeds of Crime Act)
Number of prosecutions
Number of dismissals as a result of investigations
Number of requests for surveillance in accordance with the Regulation of Investigatory Powers Act 2000
Number of Whistleblowing referrals received
<u>Tenancy Fraud Team</u>
Number of Tenancy Fraud investigations
Number of properties recovered
Number of Prosecutions
Number of Right to Buys applications denied as a result of CAFT intervention
Number of Housing applications denied as a result of CAFT intervention

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## **Internal Audit Charter**

### **1. Introduction**

1.1 This document sets out the Internal Audit service vision and clarifies the role and responsibilities of the London Borough of Barnet Internal Audit Service and the audited services. This Charter underpins the Audit Strategy & Annual Plan approved by the members of the Audit Committee. The Head of Internal Audit will periodically review this Charter and present it to senior management (defined as the Strategic Commissioning Board Assurance subgroup) and the board (defined as the Audit Committee) for approval.

### **2. Definition of Internal Audit**

2.1 Internal Audit is defined in the Public Sector Internal Audit Standards (PSIAS) as “an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

2.2 The Accounts and Audit Regulations 2011 state that there is a statutory obligation on local authorities to have an adequate and effective system of internal audit. The PSIAS (comprising the ‘Definition of Internal Auditing’, the ‘Code of Ethics’ and the ‘Standards’) and CIPFA’s Local Government Application Note are mandatory in nature and both are adhered to in the operation of London Borough of Barnet’s Internal Audit service. Our auditors also have due regard to the Seven Principles of Public Life, as defined by the Committee on Standards in Public Life (Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty, Leadership).

### **3. Purpose of Internal Audit**

3.1 The objective of Internal Audit is to assist officers and members in the effective discharge of their responsibilities. To this end, internal audit furnishes them with assurance, analysis, appraisals, counsel and information concerning the activities reviewed and risks not mitigated adequately. This objective includes promoting effective control at reasonable cost.

### **4. Organisational Independence**

4.1 The Internal Audit function sits within the Assurance Group, which provides independent oversight and assurance to the Strategic Commissioning Board (SCB) and to elected members. For every review undertaken, potential conflicts of interest will be considered. To be able to achieve Internal Audit’s objectives, the Head of Internal Audit and internal audit staff play no role in any of the Council’s operational

activities. Thus the Internal Audit function is able to carry out independent reviews of the areas subject to audit.

4.2 The Assurance Director is also the Monitoring Officer, and has a commissioning role for the Legal Shared Service. To avoid a conflict of interest, the Assurance Director will not be involved in any internal audit reviews that concern the Harrow and Barnet shared legal service (HB Public Law).

4.3 Any reviews that need to be undertaken of the Assurance Group (for example, governance, elections, corporate anti-fraud or risk management) will, where appropriate, be undertaken through the internal audit provider, currently Price Waterhouse Coopers (PwC), to ensure independence and objectivity to the review.

## **5. Status of Internal Audit**

5.1 The Head of Internal Audit (Chief Internal Auditor) reports to the Assurance Assistant Director and has a statutory reporting line to the Chief Executive. The Chief Internal Auditor supports the Chief Executive and the section 151 officer to discharge their responsibilities with regard to “making proper arrangements for the financial affairs of the Council”.

5.2 The Head of Internal Audit has direct access to the Audit Committee and Chief Executive and reports in his / her own name to members. He/she is able to meet with the Chair of the Audit Committee in private for the purposes of the role.

5.3 Internal Audit has the authority to:

- enter any Council land or premises;
- have access to all records, documents, correspondence, personnel and assets of the Council (including contractors as far as the contract allows);
- receive such information and explanation as are necessary to fulfill its responsibilities; and
- require any employee of the Council to produce cash, stores or any other Council property under his or her control.

## **6. Responsibility of the Audit Committee**

6.1 The Audit Committee is responsible for endorsing the Internal Audit & Anti-Fraud Strategy and Annual Plan. It is also responsible for approving any periodic revisions to the Internal Audit Charter.

6.2 During the course of the financial year, progress reports of internal audits carried out, with their outcomes, will be reported to members. These progress reports will include the opinions given for each audit, where appropriate.



6.3 The Audit Committee has requested details of any audits given limited or no assurance within the quarter. The detail will include the background to the audit, the findings, high and medium priority recommendations and associated management comments.

## **7. The role of Statutory Officers**

7.1 The role of the Chief Executive, Section 151 officer, and the Monitoring officer is to provide feedback on the Internal Audit and Anti-Fraud Strategy and Annual Plan prior to it being approved by the Audit Committee. During the year, statutory officers receive progress reports from the Head of Internal Audit at Strategic Commissioning Board (SCB) Assurance meetings and are responsible for providing comments on audit recommendations and action taken to resolve those issues as reported by Internal Audit.

## **8. Delivery of the Audit Service**

8.1 The Head of Internal Audit is responsible for preparing the Audit Strategy and Annual Plan and for delivering the audit service in accordance with that document and this Charter. To ensure that this can be achieved, there are appropriate arrangements, including reviewing the internal audit budget, for:

- determining and planning the audit work carried out; and
- providing the appropriate resources to carry out the work

8.2 The Annual Plan agreed with the Audit Committee confirms that if, during the course of the year, the Head of Internal Audit believes that the level of agreed resources will impact adversely on the provision of the annual internal audit opinion, this will be brought to the attention of the Audit Committee.

8.3 The Internal Audit service provides a combination of 'Assurance' and 'Consulting' activities, as classified under the PSIAS. Assurance work involves assessing how well systems and processes are designed and working. Consulting activities help to improve systems and processes where needed, generally known as advisory work. Examples include providing advice on implementing new systems and controls before they are established, facilitation and training.

8.4 When advice requested from Internal Audit would be classified as 'consulting' services under the PSIAS, if the level of resources required to complete the work could lead to the planned 'assurance' work programme for the year not being achievable, approval will be sought from the Audit Committee before the engagement is accepted.

8.5 In the case where 'consulting' advice is requested from Internal Audit, if the area is considered significantly high a risk by Internal Audit, the cost will be met from the Internal Audit budget.

8.6 In the case where 'consulting' advice is requested from Internal Audit, if the area **is not** considered significantly high a risk by Internal Audit, the service making the request will need to pay for the consulting service if they wish to proceed with the review.

8.7 To maintain independence, any auditor involved in consulting activity will not have involvement in the audit of that area for at least 12 months before or after the consulting activity.

8.8 Management's responsibilities including decisions on governance, risk management and controls will remain with management and not with the advisor.

## 9. Role and Scope

9.1 It is the responsibility of the Head of Internal Audit to provide senior management and the Audit Committee with an annual report on the work of the Service. This Report includes an opinion on the control environment. The control environment comprises the systems of governance, risk management and internal control. Thus all of the Council's activities are included in the scope of internal audit.

9.2 The work of the Service is, therefore, planned to achieve this opinion and will include evaluation of:

- the risk management system;
- the effectiveness of systems in relation to the business risks of delivery units, including alignment with the Council's strategic goals, and assessing their adequacy in operation;
- external assurances provided by the auditors of bodies external to the Council but providing services on its behalf;
- compliance with the Council's standing orders, financial regulations, corporate and directorate codes, legislation and other regulations;
- the extent to which assets are acquired in accordance with Council regulation, used appropriately and efficiently, accounted for and protected from losses of all kinds arising from waste, extravagance, poor value for money, fraud or misuse;
- the suitability, accuracy, reliability and integrity of management information, including financial information, and its effective use; and
- the operation of the Council's governance arrangements.

9.3 The Head of Internal Audit's annual report will include:

- the opinion;
- a summary of the work that supports the opinion; and,

- a statement of conformance with the PSIAS and the results of the quality assurance and improvement programme derived from the internal or external assessment of the Internal Audit service.

9.4 The Strategy and Annual Plan is owned by the Internal Audit and Corporate Anti-Fraud team. The risk of fraud is a standard consideration across all audit reviews undertaken. Close liaison occurs between the Internal Audit and Corporate Anti-Fraud colleagues.

9.5 In accordance with the Council's Financial Regulations all Council Members and employees are personally responsible for ensuring that they (and any subordinates) are aware of the Council's Counter Fraud Framework and the procedures and policies within it. All suspected or detected fraud, corruption or impropriety must be reported to the Assurance Assistant Director, the Chief Internal Auditor or any member of the CAFT.

9.6 Through close liaison between the Assurance Assistant Director and the Head of Internal Audit, it is ensured that any instances of suspected or detected fraud will be known and will be considered when planning internal audit reviews.

## **10. Managers' responsibilities with regard to Internal Audit**

10.1 The effective operation of internal audit relies upon all directors, managers and staff at the Council playing a full and co-operative part in the process. To achieve this, it is vital that the following responsibilities are accepted if the full benefits of the internal audit service are to be realised. These are:

- Strategic level involvement to inform the annual audit plan;
- Operational level involvement with individual audits;
- Being open and honest with audit staff;
- Making staff and records available when requested;
- Responding to draft audit reports in the agreed timescale;
- Confirming risks and providing details of actions to mitigate risks with timescales for implementation that are achievable; and
- Implementing the agreed actions (by the agreed date) arising from the audit.

## **11. Internal Audit Reporting**

11.1 All audit assignments will be subject to a formal report. At the end of the "audit fieldwork", a draft report will be issued to the accountable manager for the activity under review, for the factual accuracy of the findings to be confirmed. The reports will identify any risks associated with the internal control environment and recommend actions to address any deficiencies. Reports will contain recommendations that are considered to be high, medium or low priority for attention.

11.2 Assessments will be based on the following criteria:

**High** – Significant risk that objectives will not be met efficiently and effectively, there will be breaches of legislation policies or procedures, or that fraud or irregularity will not be prevented or detected. Ideally should be mitigated within 3 months unless the nature of work required to mitigate the risk does not easily allow this.

**Medium** – Some risk that objectives will not be met efficiently and effectively, there will be breaches of legislation policies or procedures or that fraud or irregularity will not be prevented or detected. Ideally, should be mitigated within 6 months unless the nature of work required to mitigate the risk does not easily allow this.

**Low** – Issues of best practice that merit attention/where action is considered desirable. Ideally, action to be effected within 6 months to 1 year.

11.3 Following a meeting to discuss the draft report and its risks/recommendations, (or a written response from the accountable manager) an action plan will be prepared and included in the final report.

11.4 It is the accountable manager's responsibility to confirm agreement to the reported risks and to agree to recommendations, or suggest alternatives, and timescales that are realistic and achievable.

11.5 The output of a 'consulting' activity under the PSIAS (see 8.3) will be in the form of a management letter as opposed to an audit report. A summary of the management letters issued will be reported to the Audit Committee as part of the Internal Audit quarterly progress update, along with confirmation of how any potential independence threats have been managed. Where the consulting activity identifies a significant issue further detail will be provided to the Audit Committee within the quarterly exceptions report.

11.6 For audit reports considered as 'Assurance' activities under the PSIAS (see 8.3), when High priority recommendations are initially reported, it is expected that an appropriate officer, at Assistant Director level or above, will attend the Audit Committee to answer any questions from Members. This requirement will not apply when 'Consulting' activities are first reported.

11.7 For audit reports considered as either 'Assurance' or 'Consulting' activities under the PSIAS (see 8.3), when High priority recommendations are not implemented within the agreed timescales, it is expected that an appropriate officer, at Assistant Director level or above, will attend the Audit Committee to answer any questions from Members.

11.8 At the end of the financial year, the Head of Internal Audit prepares an Annual Report which includes an opinion, based on the internal audits carried out during the year, on the internal control environment. This is Internal Audit's contribution to the annual review of effectiveness of the control environment required by the Accounts and Audit (England) Regulations 2011. The Head of Internal Audit's opinion is used to support the Annual Governance Statement.

## **12. Liaison with other auditors and review agencies**

12.1 Internal audit is involved in a wide range of internal and external relationships. The quality of these relationships will have a significant impact on the effective delivery of audit and review services to the Council. Effective relationships will maximise the scarce resources available and minimise disruption to audited services.

12.2 Officers within the Assurance Group work closely with Capita in line with an agreed protocol that both clarifies and puts in place practical arrangements around the relevant Audit, Fraud and Risk contract clauses in both the CSG and Re contracts. A protocol is also in place with the Barnet Group.

12.3 Internal auditors and external auditors have differing roles. Wherever possible, audits will be organised to provide sufficient assurance to the other set of auditors. Regular meetings will be held between the Head of Internal Audit and the Council's appointed external audit manager to discuss audit plans, joint working and other matters of mutual interest.

## **13. Quality and Improvement Programme**

13.1 The Head of Internal Audit is responsible for developing a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of the PSIAS to be evaluated.

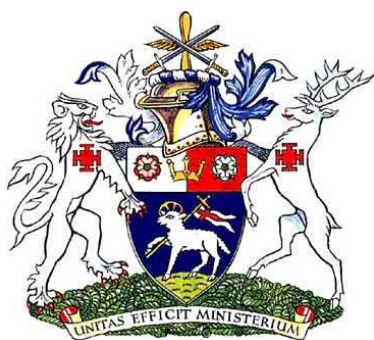
13.2 To comply with the PSIAS an external assessment will be carried out of the Internal Audit service at least once every five years. This external assessment will be undertaken as part of the London Borough Peer Review framework, with the Chief Executive and the Chair of the Audit Committee sponsoring the review.

13.3 The work of the service is also reviewed by the External Auditor as part of the annual accounts audit.

## Version control

Version	Date	Author(s)	Summary of Changes
V1	24 July 2013	Caroline Glitre, Head of Internal Audit	
V2	30 April 2015	Caroline Glitre, Head of Internal Audit	<ul style="list-style-type: none"><li>• Expanded description of Advisory work (section 8)</li><li>• More explicit referral to how officers should notify Assurance Group on suspected or detected fraud (section 9)</li><li>• Description of reporting of Advisory work (section 11)</li><li>• Reference to protocols in place with Capita and the Barnet Group (section 12)</li><li>• Reference to the Quality and Improvement Programme (section 13)</li></ul>

AGENDA ITEM 9



## Audit Committee

30<sup>th</sup> April 2015

<b>Title</b>	<b>Corporate Anti-Fraud Team (CAFT) Annual Report 2014-15</b>
<b>Report of</b>	Clair Green – Acting Assurance Director
<b>Wards</b>	All
<b>Status</b>	Public
<b>Enclosures</b>	Appendix 1 - CAFT Annual Report 2014-2015
<b>Officer Contact Details</b>	Clair Green <a href="mailto:clair.green@barnet.gov.uk">clair.green@barnet.gov.uk</a> 0208 359 7791

## Summary

The CAFT annual report provides a summary on the outcome of all CAFT work undertaken during 2014-15 including the objectives as set out in our annual strategy and plan.

## Recommendations

1. That the Audit Committee considers and comments on the CAFT Annual Report 2014 -15.

## **1. WHY THIS REPORT IS NEEDED**

- 1.1 The Audit Committee included in the work programme for 2014/15 that an Annual Report on the work of the Corporate Anti- Fraud Team is produced to this meeting.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 N/A

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 None

## **4. POST DECISION IMPLEMENTATION**

- 4.1 None

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Anti-Fraud Team (CAFT) supports this by continuing to provide an efficient value for money anti-fraud activity, that is able to investigate all referrals that are passed to us to an appropriate outcome, whilst continuing to offer support, advice and assistance on all matters of fraud risks including prevention, fraud detection, money laundering, other criminal activity, and deterrent measures, policies and procedures, whilst delivering a cohesive approach that reflects best practice and supports all the new corporate priorities and principles.

### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1 The structure and budget that CAFT operate within has proven successful and provides sufficient resource and commitment that is required to carry out an effective anti-fraud service and deliver the key objectives as set out within the strategy.

### **5.3 Legal and Constitutional References**

- 5.3.1 Under Section 151 of the Local Government Act 1972 the Council has a statutory obligation to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption.
- 5.3.2 The Council's Constitution under Responsibility for Functions - The Audit Committee's terms of reference, details the functions of the Audit Committee including



- To monitor the effective development and operation of the Council's Corporate Anti-Fraud Team; and
- To consider regular anti-fraud progress reports and summaries of specific fraud issues and investigation outcomes.

5.3.3 There are no Legal issues in the context of this report.

## **5.4 Risk Management**

5.4.1 The on-going work of the CAFT supports the council's risk management strategy and processes. Where appropriate, outcomes from our investigations are reported to both Internal Audit and Risk Management to support their on-going work and to assist in either confirming effective anti-fraud controls and or suggested areas for improvement.

## **5.5 Equalities and Diversity**

5.5.1 Pursuant to section 149 of the Equality Act, 2010, the council has a public sector duty to have due regard to eliminating unlawful discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advancing equality of opportunity between those with a protected characteristic and those without; promoting good relations between those with a protected characteristic and those without. The, relevant, 'protected characteristics' are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. It also covers marriage and civil partnership with regard to elimination discrimination

5.5.2 Effective systems of anti-fraud provide assurance on the effective allocation of resources and quality of service provision for the benefit of the entire community.

## **5.6 Consultation and Engagement**

5.6.1 None

## **6. BACKGROUND PAPERS**

6.1 Delegated Powers Report (ref: BT/2004-05 -2 March 2004) - The Corporate Anti-Fraud Team (CAFT) was launched on 7th May 2004

6.2 Audit Committee 29th April 2014 (Decision item 10) – the Audit Committee approved the Internal Audit and Anti-Fraud Strategy and Annual Plan and Risk Management approach 2014-2015.

6.3 Audit Committee 29th 2014 - (Decision item 13 ) – the Audit Committee included in the work programme for 2014/5 that an Annual Report on the work of the Corporate Anti- Fraud Team be produced to this meeting.

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# Corporate Anti Fraud Team (CAFT) Annual Report 2014/15

**10<sup>th</sup> April 2015**

**Clair Green**

**Acting Assurance Director**

## Executive Summary

The Council has a responsibility to protect the public purse through proper administration and control of the public funds and assets to which it has been entrusted. The work of the Corporate Anti Fraud Team supports this by continuing to provide an efficient value for money anti-fraud activity that is able to investigate all referrals that are passed to us to an appropriate outcome.

We continue to offer support and advice and assistance on all matters of fraud risks including prevention, detection, money laundering, other criminal activity, deterrent measures and policies and procedures, whilst delivering a cohesive approach that reflects best practice and supports all the corporate priorities.

All CAFT work is conducted within the appropriate legislation and the powers and responsibilities assigned to it as set out within the financial regulations section of the Council's constitution. CAFT supports the Council in its statutory obligation under section 151 of the Local Government Act 1972 to ensure the protection of public funds and to have an effective system of prevention and detection of fraud and corruption. It supports the Council's commitment to a zero tolerance approach to fraud, corruption, bribery and other irregularity including any Money Laundering activity.

Work processes in the team are designed for maximum efficiency and as such all functions are intrinsically linked and are dependent on each other in order to ensure CAFT continue to provide an efficient value for money counter fraud service and that is able to investigate all referrals or data matches to an appropriate outcome. CAFT provide advice and support to every aspect of the organisation including its partners and contractors. This advice varies between fraud risk, prevention and detection, money laundering and other criminal activity as well as misconduct and misuse of public funds. Some of the matters will progress to criminal investigation and others will not, but in all cases appropriate actions, such as disciplinary are taken. It is this element of the work of CAFT that is hard to quantify statistically.

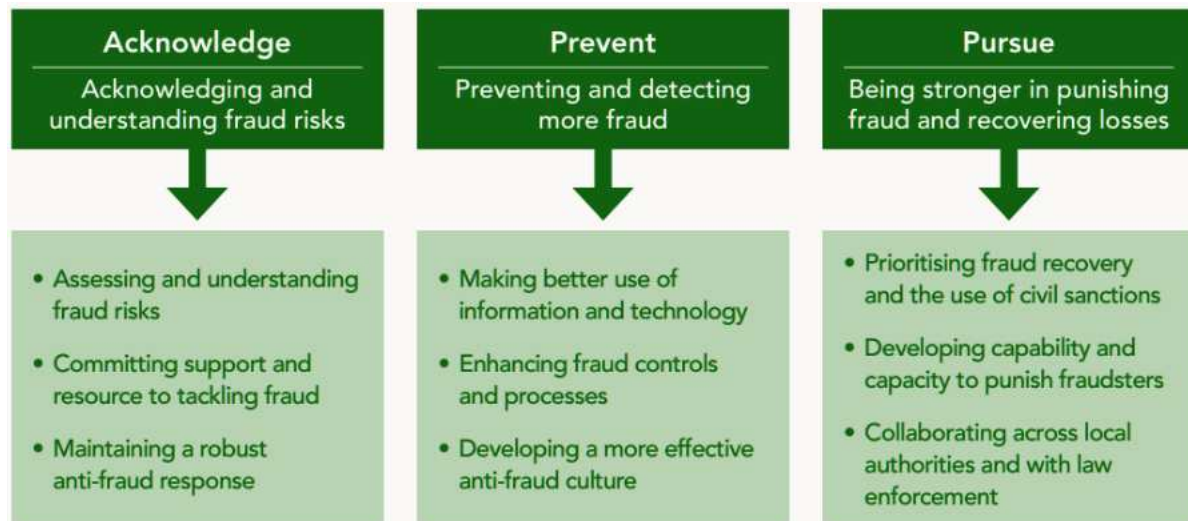
The purpose of this annual report is to provide a summary on the outcome of all CAFT work undertaken during 2014-15 including the objectives as set out in our annual strategy and plan.

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- 2. Pro-active fraud plan .....6
- 3. Performance Indicators .....9
- 4. Noteworthy investigations summaries: .....12

## 1. Anti-Fraud Strategy

Our anti-fraud strategy is centred on the strategic approach as outlined in 'Fighting Fraud Locally' (Local Government Fraud Strategy) and provides a blueprint for a tougher response to tackle fraud. Within CAFT we adopted this approach and our work throughout the year compliments the objectives detailed below.



### Acknowledging (and detecting) Fraud

Each year we assess our fraud risks against national fraud risks and local intelligence and review our anti-fraud strategy and incorporate this into our risk based annual plan. CAFT work closely with management in high fraud risk area's to ensure that working procedures and practices include robust fraud preventative measures. CAFT also conduct targeted proactive anti-fraud activity throughout the year, joint reviews with internal audit as well as re-active investigation work. Outcomes from reviews and investigations where appropriate are reported to management to support their on-going work and to assist in either confirming effective anti-fraud controls and or suggested areas for improvement.

We continue to work collaboratively with partners ensuring that anti-fraud arrangements are fit for purpose on all aspects of fraud risk. We have a working protocol with both CAPITA and Barnet Homes in relation to the contractual arrangements that address anti-fraud responsibilities.

Each year an annual risk based work plan is devised which also ensure that the CAFT team has sufficient resources in order to ensure that they are able to respond to demands and deliver the objectives as set out in the annual plan in order to deliver a robust anti-fraud response. There are effective, efficient anti-fraud procedures that ensure that we provide a effective value for money service. Progress against the annual plan as well as any emerging risks is reported quarterly to senior management and the Audit Committee.

In the last year CAFT provided Fraud awareness training to Barnet Homes staff to raise awareness around social housing fraud and to date this year have delivered sessions to 84 staff in housing options and across Barnet Homes. This has proved to be very popular and feedback has been very positive.

### Preventing (and deterring) Fraud

We recognise that employees are often the first line of defence in preventing fraud. The Financial Regulations within the Council's Constitution places the responsibility for fraud prevention on all employees. Staff are aware that they should therefore be alerted to the possibility of fraud and to report any concerns to CAFT. We have a confidential reporting 'Whistle blowing' policy in place to

assist employees in reporting concerns about fraud and other issues without fear of harassment or victimisation. CAFT have a dedicated e-learning training programme which informs staff of their responsibilities and fraud risks.

CAFT use data matching techniques to identify possible fraudulent activity and centrally co-ordinate and investigate the Audit Commission National Fraud Initiative (NFI) data matching exercises to ensure that it is given high priority within services, we are also founding members of the London Fraud Hub which assists to combat tenancy fraud across London.

We have a communications strategy, whereby press releases are issued on all successful prosecutions to act as a deterrent factor to the community. During the last year we have taken part in a television production BBC's 'Saints and Scroungers' in which officers from CAFT presented the facts of complex and noteworthy benefit fraud investigations that the Council had successfully prosecuted, further details on our investigations and outcomes are reported quarterly.

All management and employees must abide by the Council's Employee Code of Conduct, which sets out requirements on staff conduct. Barnet also has in place comprehensive disciplinary procedures for all employees, those found to have breached the Code of Conduct will be dealt with in accordance with these procedures. We have effective liaison and working relationships with our HR team and where criminal activity is suspected or found, the matter must be referred to the CAFT team for investigation and possible prosecution, in accordance with the Counter Fraud Framework. Recompense will be sought from all who are found to have carried out fraudulent acts. A key preventative measure in that fight is the effective recruitment of employees. Employee recruitment is undertaken in accordance with the council's Recruitment and Selection Policy.

#### **Pursuing Fraud (and seeking redress)**

Within CAFT we ensure that each investigation is carried out in compliance with our policies and appropriate legislation, consistently apply 'zero Tolerance' approach reinforcing our policy that we take appropriate action against anyone who commits fraud whether they are members of staff or members of the public.

To this end we have developed a financial investigation team dedicated to this area of work. They liaise closely with other internal departments and external partner's (including the Police) that prosecute offenders in order to raise awareness around POCA and ensure that where possible financial investigations are undertaken by CAFT so that we can assist in the recovery of losses to the public purse and obtain where possible compensation and/or confiscation under the Proceeds of Crime Act (POCA).

We ensure that we utilise civil recovery procedures in relation to Tenancy Fraud and work collaboratively with other LA's and Law enforcement agencies to ensure best use of resources with holistic approach to counter fraud at all times.

## 2. Pro-active fraud plan

Table 1 provides an update against all pro-active activity as set out within the 2014/15 joint pro-active fraud plan and annual strategy with Internal Audit and Risk Management.

Area of review	Fraud Risk	Outcome
<p><b>Your Choice Barnet – contract review</b>  <b>(Q1 review Joint review with Internal Audit)</b></p> <p>Review to analyse a sample of employees within Care Homes to verify that they have legitimate identity documents and the right to work in the UK</p>	<p>There is a risk that care workers may be working without the appropriate clearances for eligibility or right to work.</p>	<p>CAFT reviewed all employment records of 123 YCB employees. Initially 89 were confirmed as valid and eligible to work in the UK. The remaining 34 were subject to further enquiries. All enquiries have now been completed and we are able to report that 120 have been confirmed valid and eligible to work in the UK – the three remaining members of staff are no longer employed by YCB.</p> <p>Full details and recommendations relating to this review can be found in the Internal Audit Quarter 1 and 2 Progress Reports.</p>
<p><b>Disabled Blue Badges</b>  <b>(Q1 Joint review with Internal Audit and Q3 proactive operation)</b></p> <p>A review of a sample of current blue badges to confirm legitimacy.</p>	<p>Valid parking income is not maximised and collected as a result of non-valid and/or fraudulent blue badges remaining in circulation and being misused.</p>	<p>CAFT reviewed a sample of 92 of 500 badges that were recorded as applications made but had not attended a face to face identity appointment results of this sample testing were reported</p> <p>CAFT carried out visits to the applicants. The results showed:</p> <ul style="list-style-type: none"> <li>• 36 of the applicants stated that they had not received correspondence from the council informing them of the current state of their application;</li> <li>• 9 applicants were deceased at the time of the visit;</li> <li>• 5 applicants had received their badge in the post contrary to what the council system indicated;</li> <li>• 3 applicants stated they did not want or need the badge since application; and <ul style="list-style-type: none"> <li>• 20 were unable to be contacted at the time of the review</li> </ul> </li> </ul> <p>At the time of reporting 19 were reported as going through a process of further investigation as there are indications of application fraud – these related to badge applications that were made by a third party and not the disabled person; results of these investigation were</p>



		<ul style="list-style-type: none"> <li>• 8 were confirmed as no fraud genuine applications</li> <li>• 11 had insufficient evidence to warrant further investigation</li> </ul> <p>We agreed during joint review that we would commit to undertake annual proactive street operation which took place on one day in November in the Hendon and Golders Green area</p> <p>Full details and recommendations relating to this review can be found in the Internal Audit Quarter 1 and 3 Progress Report.</p>
<b>Transport contracts (Q2 Joint review with Internal Audit)</b> Review to analyse a sample of invoices for verification purposes.	If validation of invoices does not take place then there is a risk of duplicate or fraudulent invoicing resulting in loss to the public purse.	<p>As part of the CAFT review, we noted that two contractors who were not secured as part of the Street Scene PTS framework contract were used by Children's DU for transporting children. At the date of the report the delivery unit had ceased using these contractors and had alternative arrangements in place.</p> <p>Full details and all recommendations relating to this review can be found in the Internal Audit Quarter 2 Progress Report.</p>
<b>Residential Care Homes</b>  Pro active antifraud work in this area to ensure that the Council only fund placements when there is genuine eligibility.	If the Council continues to fund placements when there is no longer a need then scarce financial resources will be wasted.	This review has been carried forward into the 2015/16 plan.
<b>Children's - Schools Admissions</b>  Proactive targeted anti-fraud work in this area to ensure the safeguarding of school placements.	Those fully entitled to placement at desirable schools within the borough are being deprived of place due to fraudulent applications	<p>As part of the CAFT exercise we reviewed applications in respect of the three most desirable secondary schools in Barnet.</p> <p>A total of 24 applications were identified as containing potentially incorrect information and verification of these applications has been undertaken by CAFT officers.</p> <p>Of these 24 , 9 cases have been concluded and referred back to school admissions for a decision to be made on their eligibility, from these 9 cases, 3 applications have already been confirmed as being withdrawn by the admissions team with the remaining 6 are still</p>

		<p>awaiting decision at the time of reporting.</p> <p>There are also 15 cases that remain with CAFT pending further investigation.</p> <p>Further updates on this exercise will be reported in 15/16 progress reports.</p>
<p><b>Adults - Personal Budgets / Direct Payments</b></p> <p>Proactive anti-fraud work in this area that will ensure validity and legitimacy of high risk elements within the scheme.</p>	<p>Funds are misused, adequate care services are not obtained by the budget holder.</p>	<p>This review has been carried forward into the 2015/16 plan and will become part of our proactive work on National Fraud Initiative matches as there are 27 recommended matches within this category that require investigation.</p> <p>Further updates on this exercise will be reported in 15/16 progress reports</p>
<p><b>Cross Cutting - Employee remuneration schemes</b></p> <p>Proactive anti-fraud review of all the various types of employee remuneration claims</p>	<p>Fraudulent / improper claims have been made / authorised impacting the public purse</p>	<p>This review is currently in progress and will be reported in 15/16 progress reports.</p>
<p><b>Cross Cutting - Validation of vendor account details.</b></p> <p>Pro-active anti-fraud review of the compilation of vendor details and accounts</p>	<p>Unauthorised / fraudulent payments being released impacting the public purse resulting in potential reputational damage</p>	<p>This review has been carried forward into the 2015/16 plan and is being conducted as part of the National Fraud Initiative exercise as there are more than 400 recorded matches that require investigation.</p> <p>This exercise is being run using the NFI 'duplicate records' matches. The results so far have been useful in identifying areas where improvements need to be made regarding the categorizing and recording of invoices to allow a greater level of assurance that invoices are being paid correctly.</p> <p>Further updates on this exercise will be reported in 15/16 progress reports</p>

<b>Tenancy Fraud – Proactive data matching exercise</b>	Pro-active data matching exercise into specific areas of the borough to identify and tackle potential Tenancy Fraud case	<p>In 2014/15 we have undertaken 5 pro-active data matching exercises covering different postcodes, a targeted block of flats and a number of decant properties in NW9, in order to verify that the tenant of the property is actually resident in the property.</p> <p>Outcomes from these combined exercises include verification of tenants, awareness and deterrent factor for residents in relation to tenancy fraud and investigations which are reported in Performance Indicators section of the report.</p>
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### 3. Performance Indicators

Table 2 provides an update against all performance indicators as set out within the 2014/15 Joint pro-active fraud plan and annual strategy with Internal Audit and Risk Management.

*No targets are set against each of these indicators, as they are the results of CAFT re-active and continuous investigation work. Therefore the indicators, outcomes and direction of travel is reported for comparative statistical information only and not for benchmarking purposes.*

Performance Indicator	Outcome 14/15	Outcome 13/14	Comments
<b>Benefit Compliance Team</b> identify and correct fraud and error in our benefits and council tax systems through various methods including dealing with the Department of Work and Pensions (DWP) Housing Benefit Data Matches (HBDMS) and the Audit Commissions (AC) National Fraud Initiative (NFI) Benefit Matches. The team conduct assessments of benefit which may result in an overpayment which is then passed to our Benefit Investigation team to further investigate.			
Combined amount Fraud and Error identified within the Benefits System	<b>£1,731,710</b>	£1,985,239	This figure would indicate that our investigation techniques such as data matching, early intervention and joint working is having a positive impact towards combatting benefit fraud and error as the combined overall figure is 12.7% lower than that identified last year
Amount of council tax – single person discount fraud identified	<b>£166,670</b>	£120,286	This figure relates to the National Fraud initiative matches in relation to Council Tax Single Person Discounts; CAFT investigated 226 of those matches and established that the that residents were claiming discounts they were and not entitled to – the outcome figure is the financial saving that has been identified.

**Benefit Fraud Investigation Team** prevents, identifies, investigates, deters, sanctions or prosecutes persons that commit benefit fraud in Barnet. They operate in accordance within the DWP's Fraud and Error Strategy and the Council's Counter Fraud Framework as well as relevant governing legislation.

Number of carried forward Benefit Fraud investigations from 13/14	148	222	At the time of reporting we have 148 on-going benefit fraud investigations within CAFT carried forward into 2015/16.
Number of new Benefit Fraud investigations	264	N/A	
Total Number of closed Benefit Fraud investigations	338	201	
Number of cautions issued	13	14	These figures relate to the differing sanctions that are available under the DWP's Fraud and Error Strategy in relation to benefit fraud investigations where fraud is proven.
Number of administration penalties issued	56	69	
Number of prosecutions	19	29	
Total number of Sanctions	101	99	
Number of sanctions issued per investigations officer	33.67	31	

**Corporate Fraud Team** deal with the investigation of any criminal and fraud matters (except Benefit and Tenancy related fraud) attempted or committed within or against Barnet such as internal employee frauds, frauds by service recipients and any external frauds. They also conduct Financial Investigation under the Proceeds of Crime Act 2000 to ensure that any persons subject to a criminal investigation by Barnet do not profit from their criminal action. They work in partnership with UKBA, Police and HM Revenue and Customs to ensure that the public purse is adequately protected

Number of carried forward Fraud investigations from 13/14	28	10	Of the 38 on-going investigations, 23 relate to school Admissions, 7 relate to Assisted travel, 2 relate to waste and recycling, 1 relates to children's services, 2 relate to Barnet Homes, 1 relates to Adults and Communities, and 2 relates to Finance and payroll
Number of new fraud investigations (excluding financial cases)	105	98	

Total Number of closed fraud investigations	100	94	
Total number of on-going fraud investigations	38		
Number of carried forward Financial investigations from 13/14	5	8	A Financial investigation is one of many specialist investigative approaches employed by Local Authorities when tackling criminal activity and it is an increasingly well-established discipline. Financial investigators typically operate within the legal framework of the Proceeds of Crime Act 2002 (POCA), which introduced a number of asset recovery powers, including the use of restraint orders and post-conviction confiscation orders as well as cash seizure and civil forfeiture/recovery. Related policies include the Asset Recovery Incentivisation Scheme, which allows Local Authorities to keep a proportion of assets recovered.
Number of new Financial investigations	10	7	
Number of closed Financial investigations	10	12	
Total Number of on-going Financial investigations	10	8	Of the 10 financial investigations, 5 cases relate to Benefit Fraud and the recovery of funds back to the council, 3 relate to planning enforcement cases, 1 relates to Trading standards and 1 relates to a council tax money laundering case.
Number of dismissals as a result of a CAFT investigation.	3	2	Please refer to noteworthy investigations (section 4) of the report for further details for details of all 3 dismissals.
Number of requests authorised for surveillance.	3	1	In accordance with our policy on Regulation of Investigatory Powers Act 2000 (RIPA) this is reported for information purposes and to support statistical return to the Office of Surveillance Commissioners
Number of referrals received under the council's whistleblowing policy.	0	0	This is reported for information purposes only in accordance with our policy.
<b>Tenancy Fraud Team</b> prevent, identify, investigate, deter and sanction or prosecute persons that commit tenancy fraud in Barnet, ensuring maximising properties back to the council where Tenancy Fraud has been proven.			
Number of carried forward Tenancy Fraud investigations from 13/14		81	This figure relates to the number of investigations on-going as at start of 2014/15.
Number of new Tenancy Fraud investigations	116	This information was not recorded by CAFT in 13/14 as the	Of the 87 on-going investigations 6 are with our legal provider pending criminal action, 6 cases are currently with our legal provider pending civil recovery action, 5 cases have had notice to quits served on them and the remaining 70 are current
Total Number of closed Tenancy Fraud	110		

investigations		Tenancy Fraud transferred to CAFT in November 2013.	investigations.
Total number of on-going Tenancy Fraud Investigations.	87		
Number of properties recovered	48		48 properties have had their tenancies ended and are able to be re-let to those genuinely in need as a result of CAFT investigations into Tenancy Fraud. Please refer to noteworthy investigations (section 4) of the report for further details on example investigations.
Number of Criminal convictions	2		Please refer to noteworthy investigation sections (section 4) of report for further details.
Number of 'Right to Buy' applications denied as a result of CAFT intervention	24		This is the first year that we have proactively worked with the 'Right to Buy' in relation to Tenancy Fraud Intervention in this area which prevents the loss of valuable council assets.
Number of Applications denied as a result of CAFT intervention	2		This is the first year that we have proactively worked with the 'Housing Options' in relation to Tenancy Fraud Intervention in this area which prevents the fraudulent letting of valuable council assets.

## 4. A sample of noteworthy investigations summaries from 2014/15

### Benefit Fraud Investigations

**Ngesa** - Relates to an investigation into a benefit claimant that had failed to declare his wife's earnings. When Mr Ngesa had applied for benefit in 2007 he claimed that his wife was not working, when in fact investigations revealed that she had been working continuously since 2003, other than a 2 month period of sick leave in 2007. Mr Ngesa was also employed, but he had declared his own employment. CAFT investigated this case and when interviewed under caution he answered all the questions, and admitted making mistakes but claimed that they were not intentional. The claim was cancelled and this resulted in an overpayment of £52,608 for the period 2007 – 2012. The matter was passed for prosecution. Mr Ngesa pleaded guilty and was sentenced to 6 weeks imprisonment suspended for 12 months with a requirement to undertake 120 hours of unpaid work, plus £500 towards the prosecution costs.

**Mr Scarola** – relates to a joint investigation with DWP into a benefit claimant that had failed to declare savings and part-time employment. Mr Scarola admitted under caution that he had deliberately failed to inform the departments of these details. The claim was reassessed and resulted in an overpayment of £12,534.54 for the period 2008 to 2010. There was also a DWP overpayment of £32,508.28. The matter was passed for prosecution. Mr Scarola pleaded guilty to 4 offences and was sentenced to 20 weeks imprisonment, suspended for two years, on each count.

**Ms Potamitis** - Relates to an joint investigation with Havering council and the Department for Work and Pensions (DWP) into a benefit claimant where there were concerns that the claimant may be related to

the owner of the property. CAFT investigated this matter and when interviewed under caution the claimant admitted that her brother was the owner of the property from which she was claiming benefit. She gave no explanation as to why she had not declared this on the various application forms. However on further investigation evidence showed that in fact Ms Potamitis was actually the owner of the property and so her benefit claim was cancelled. This resulted in an joint overpayment of £189,370.79 housing benefit for the period 1996 - 2013. The matter was passed for prosecution jointly with Havering Council as there were other family members conducting similar fraud in their Borough. Ms Potamitis pleaded guilty and was sentenced to 16 months imprisonment, suspended for 2 years. Confiscation proceedings are now on going to recover the lost funds

**Mr Hunter** - Relates to a joint investigation with the DWP into a benefit claimant where there were concerns that the claimant may have not declared capital in excess of £50,000. Mr Hunter was interviewed under caution and claimed that the capital belonged to his Mother but admitted he had opened the account. The benefit claim was cancelled by the DWP and Barnet Council and this resulted in an overpayment of £27,659.74 housing and council tax benefit for the period 2007 - 2013. The matter was passed for prosecution jointly with the DWP. Mr Hunter was found guilty and was sentenced to 24 months imprisonment, suspended for 12 months and ordered to do 150 hours unpaid work. He was ordered to pay compensation of the full amount of housing and council tax benefit within 28 days and has repaid this as directed.

### **Tenancy Fraud Investigations**

**Mr Gregory** was assigned a one bedroom flat in the NW4 area in April 2014. Investigations revealed that he was advertising the property online and was actually living elsewhere. Mr Gregory was interviewed under caution about the matter and fully admitted that he was sub-letting the property. He returned the keys and surrendered his tenancy. He was prosecuted regarding the matter and pleaded guilty to two offences under the Fraud Act. Mr Gregory was sentenced to 8 weeks imprisonment for each offence to be served concurrently suspended for one year and was given a 12 month supervision order.

**Mrs A** had a two bedroom flat in the NW9 area. There were suspicions that Mrs A was not actually resident and the matter was passed to CAFT. Investigations began into the residency of the property and appeared to show Mrs A was actually living elsewhere. When she became aware that she was being investigated, Mrs A returned the keys to the property and surrendered the tenancy. Mrs A was interviewed under caution regarding a criminal offence and the trial date has now been set for prosecution.

**Miss Stinson** had a 3 bedroom house in the HA8 area. A referral was received indicating that she was living in Essex and another family member was sub-letting the house. Investigations began into her residency and also the fact that Miss Stinson was also receiving housing benefit in respect of the property. In view of the evidence gathered, Miss Stinson was asked to attend an interview under caution. She admitted that she had moved out and that her daughter was resident. In view of this fact, the housing benefit was cancelled and this resulted in an overpayment of £1623.14. Miss Stinson returned the keys to the property, but it was decided to pass this case to our legal section for offences regarding the tenancy and housing benefit fraud. Miss Stinson pleaded guilty, and was given a curfew order for 8 weeks and ordered to pay costs of £1170.00 .

**Mr and Mrs B** had a 2 bedroom flat in NW9. As part of a pro-active data matching exercise, this case was investigated as there were concerns that tenants may not be resident. They were both invited in for interviews under cautions regarding their tenancy, as evidence indicated they owned three other properties and had been sub-letting their council property. A week before the interviews, Mrs B

handed the keys to the property back, however she was advised that both her and her husband still needed to be interviewed under caution as we had reasonable grounds to believe a criminal offence had been committed. Both Mr and Mrs B were interviewed under caution and the matter is with our legal section awaiting a court date for prosecution.

## **Corporate Fraud Investigations**

**Dismissal Case 1** –relates to an internal investigation into a Catering Services school based staff member after information was received which led us to believe that the staff member stole food from the school kitchen on a regular basis. CAFT officers attended the school to speak with the staff member and witnessed them leave the kitchen area with 2 large bags filled with food supplies. She was stopped and asked to empty her bags on to the table. The bag contained large quantities of food supplies from the school kitchen. Further investigations were made and the case was passed to the service to conduct a disciplinary hearing. A disciplinary hearing was held and the staff member was dismissed from the council for gross misconduct

**Dismissal Case 2** – relates to a temporary member of staff who was found to be making a number of personal phone calls from a council phone at NLBP to family members living in Eastern Europe. Whilst the monetary value attributed to the calls was less than £50 it was felt that issue of trust and a breach of procedures was significant therefore the officer's employment with the council was terminated and reported to the agency

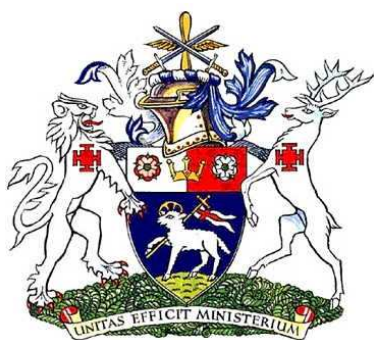
**Dismissal Case 3** – relates to a member of staff who claimed ten times the amount of mileage expenses she was due. This was subsequently authorised and resulted in a wrong payment of over £4,000 instead of £400. The member of staff, knowing that she had been over paid and failing to inform Payroll, used the money, she claimed to pay off loans and buy new furniture. The member of staff became the subject of disciplinary action and was dismissed. The Manager who authorised the expenses resigned as a result of the investigation. This CAFT investigation was part of a pro-active CAFT exercise into validation of expense claims.

**Case 4** - relates to an investigation into an offence of fraudulently obtaining refund payments in respect of the London Borough of Barnet's Council Tax refund process, totally £30,824. This fraud occurred whereby the Council Tax team arrange for the refund of overpaid amounts or cancellations due to vacation of property. The investigation revealed that this fraud was also spread across three other local authorities. Officers from Barnet's CAFT are the lead authority in this investigation. Directed and Communications surveillance were carried out to identify the suspect who was subsequently arrested, interviewed by CAFT officers and is awaiting trial for prosecution.

**Case 5** - relates to a teacher who falsified documents in order to gain a school place for her own child in the school where she was a teacher. CAFT Investigators found that tenancy documents and letters from third parties had been changed in an effort to convince the school admissions team that the application was valid even though the applicant's real address was outside of the schools catchment area. The matter has been passed to the school for disciplinary action, which is currently in progress along with a review of the placement.



AGENDA ITEM 10



## Audit Committee

### 30<sup>th</sup> April 2015

<b>Title</b>	<b>Audit Plan 2014/15</b>
<b>Report of</b>	Chief Operating Officer
<b>Wards</b>	All
<b>Status</b>	Public
<b>Enclosures</b>	Appendix A – Audit plan 2014/15
<b>Officer Contact Details</b>	Paul Thorogood – <a href="mailto:Paul.Thorogood@Capita.co.uk">Paul.Thorogood@Capita.co.uk</a> - 07725 652910

## Summary

This report advises the committee of Grant Thornton's Audit Plan for 2014/15 and provides an update on results of interim audit work to date

## Recommendations

1. The Audit Committee are asked to note Grant Thornton's Audit Plan for 2014/15
2. The Audit Committee are asked to note the audit fee of £226,700 for the 2014/15 Council Audit as set out in paragraph 6.11

### 1. WHY THIS REPORT IS NEEDED

- 1.1 The purpose of the Audit Plan is to highlight to the committee the key elements of Grant Thornton's 2014/15 external audit strategy for the Council.

## **2. REASONS FOR RECOMMENDATIONS**

- 2.1 Grant Thornton's Audit Plan for 2013/14 was noted at the Audit Committee of 29 April 2014. This Report is to recommend Grant Thornton's Audit plan for 2014/15.

## **3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED**

- 3.1 None

## **4. POST DECISION IMPLEMENTATION**

- 4.1 Grant Thornton's Audit Plan for 2014/15 will dictate what is reported to the Audit Committee as part of the audit process.

## **5. IMPLICATIONS OF DECISION**

### **5.1 Corporate Priorities and Performance**

- 5.1.1 The Audit Plan will assess fundamental aspects of financial standing and performance management in Barnet, that relates to the key theme of 'value for money' relating to the Council's corporate priorities.

### **5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)**

- 5.2.1 This report sets out the timeline and framework for the assessment of the Council's financial reporting, management and standing, as well as value for money. The Council audit fee of £226,700 will be paid out of Corporate Fees from Central Expenses.

### **5.3 Legal and Constitutional References**

- 5.3.1 Constitution Part 3, Section 2 details the functions of the Audit Committee including "to consider the external auditor's annual letter" and "to comment on the scope and depth of external audit work and to ensure it gives value for money".

### **5.4 Risk Management**

- 5.4.1 The Audit Plan 2014/15 highlights the Council's statutory responsibility in respect of producing the financial statements. Without appropriate close down processes in place and references to local government financial reporting policies there is a risk that statutory deadlines may be missed or accounting policies misinterpreted without the appropriate reference to the external auditors views or concerns. The consequence of this could result in qualified financial statements or a qualified value for money opinion.

### **5.5 Equalities and Diversity**

- 5.5.1 The Audit Plan 2014/15 has the potential to cover the inspection and

assessment of all services within the authority that, in turn, impacts on all members of the community.

## 5.6 Consultation and Engagement

### 5.6.1 None

## 6. BACKGROUND INFORMATION

6.1 Grant Thornton's Audit Plan for 2013/14 was noted at the Audit Committee of 29 April 2014.

6.2 The purpose of the Audit Plan is to highlight the key elements of Grant Thornton's 2014/15 external audit strategy for the Council. It is compiled based on their audit risk assessment and discussions of key risks with management. It is reported to the Audit Committee as those charged with governance for consideration in accordance with International Standard on Auditing (UK & Ireland) 260.

6.3 The audit plan identifies that Grant Thornton are responsible for performing the audit in accordance with ISAs (UK and Ireland) and to give an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance.

6.4 The Audit Plan 2014/15 includes details on the audit approach to be followed by Grant Thornton as well as an update on their response to key risks from the results of interim audit work carried out.

6.5 **The Audit Plan 2014/15 sets out a number of challenges and opportunities that Grant Thornton have identified and taken into consideration in planning their audit. These challenges and opportunities are as follows:**

6.5.1 Financial performance pressures reported within budgets and medium term financial strategy to the March 2015 Council in meeting.

6.5.2 Increasing demand on services continues to be driven by a growing population. To deal with this, the Council has recognised that there are opportunities for growth in the borough. Examples of this include significant regeneration and redevelopment projects.

6.5.3 There are opportunities for increased collaborative work with the NHS through the development of new working arrangements to deliver the Better Care Fund (BCF). NHS England approved the Barnet BCF Plan on 6 February 2015. From April 2015, the Department of Health requires the Council and NHS Barnet Clinical Commissioning Group (CCG) to pool budgets allocated for the delivery of the schemes of work stated in the BCF Plan. This will also enable the Council, the CCG and the Health and Well-Being Board to realise the target benefits and outcomes identified.

- 6.6 **The Audit Plan 2014/15 also details key developments and other requirements that Grant Thornton have identified and considered in planning their audit. These are as follows:**
- 6.6.1 Grant Thornton will assess the accuracy and validity of financial reporting through;
- The Council complies with the requirements of the CIPFA Code of Practice through discussions with management and substantive testing.
  - Schools are accounted for correctly and in line with the latest guidance.
- 6.6.2 Grant Thornton will discuss legislative changes with Council officers and those charges with governance, providing a view where appropriate specifically referencing the Local Government Finance Settlement.
- 6.6.3 Grant Thornton will consider and review Corporate Governance and in particular the Annual Governance Statement and Explanatory Forward.
- 6.6.5 Grant Thornton will consider and review the Better Care Fund plans.
- 6.6.6 Grant Thornton will review financial pressures in managing service provision with less resource and Progress against savings plans.
- 6.6.7 Other requirements that Grant Thornton will consider include the Council's Whole of Government accounts pack on which Grant Thornton will provide an audit opinion on and Council grant claims and returns on which audit certification is required.
- 6.7 **Grant Thornton will undertake a risk based audit whereby they will focus audit effort on those areas where they have identified a risk of material misstatement in the accounts. Grant Thornton have identified the following significant risks that the audit approach will focus on:**
- The revenue cycle includes fraudulent transactions
  - Management over-ride of controls
  - Risk of new accounting system producing balances that are materially misstated
- 6.7.1 These risks are not specific to Barnet and are applicable to all audits under Auditing Standards.
- 6.8 **Grant Thornton will evaluate the design and determine the implementation of the Council's controls, including relevant control activities, over those risks for which it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures.**
- 6.8.1 As a result of Grant Thornton's planning these areas have been identified as operating expense, employee remuneration and welfare expenditure. The

interim audit work completed by Grant Thornton has focussed on these areas, where, to date, no issues were identified as a result of this work.

6.8.2 Grant Thornton intends to gain further assurance in these areas through substantive audit testing, cut-off testing, analytical reviews, trend analysis and system/control account reconciliations.

6.9 **In accordance with the code, Grant Thornton are required to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources to provide a conclusion on the Council's Value for Money.**

6.9.1 The 2014/15 value for money conclusion will be based on two reporting criteria specified by the Audit Commission:

- The organisation has proper arrangements in place for securing financial resilience
- The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness

6.9.2 Grant Thornton will do this by undertaking the following risk based work focussing on the Council's financial governance, strategic financial planning and financial control. Specifically they will focus on:

- Review and update the risk assessment agreed during our 2014/15 financial resilience review to reflect the up to date position on arrangements relating to key indicators of financial performance, financial governance, strategic financial planning and financial control.
- Consider any reports issued by key regulators (e.g. OFSTED) to ensure that potential impacts are suitably managed by the Council.

6.10 **As part of the interim audit work and in advance of the final accounts audit fieldwork, Grant Thornton:**

6.10.1 Considered Internal Audit's overall arrangements against the Public Sector Internal Audit Standards and the functions work on the Council's key financial systems to date. No issues were identified as a result of this work.

6.10.2 Completed walkthrough tests of controls operating in areas where Grant Thornton considered that there is a risk of material misstatement to the financial statements. No issues were identified as a result of this work.

6.10.3 Obtained an understanding of the overall control environment relevant to the preparation of the financial statements. No issues were identified as a result of this work.

- 6.10.4 Are currently performing a high level review of the general IT control environment, as part of the overall review of the internal controls system. This includes a follow up of the issues that were raised last year. To date, no issues were identified as a result of this work and going forward any findings will be reported to the Audit Committee.
- 6.10.5 Reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. No issues were identified as a result of this work.
- 6.10.6 Considered the Council's approach to not produce Group accounts on the grounds of materiality, in line with prior year, and are not minded to challenge this approach.
- 6.11 The audit plan confirms the indicative audit fee of £226,700 for the 2014/15 Council audit. The audit plan fee is set by the Audit Commission under Section 7 of the Audit Commission Act 1998 and is therefore not negotiable by the Council.



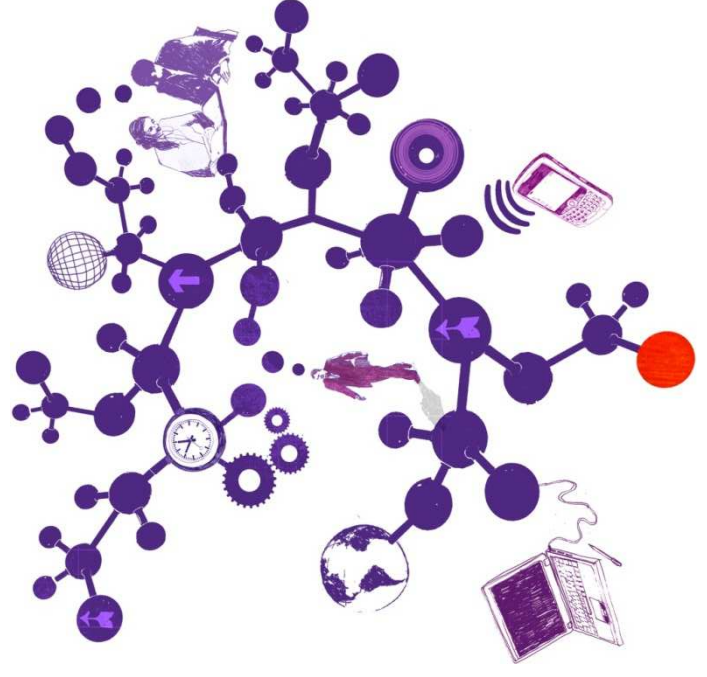
# The Audit Plan for London Borough of Barnet

**Year ended 31 March 2015**  
13 April 2015

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.



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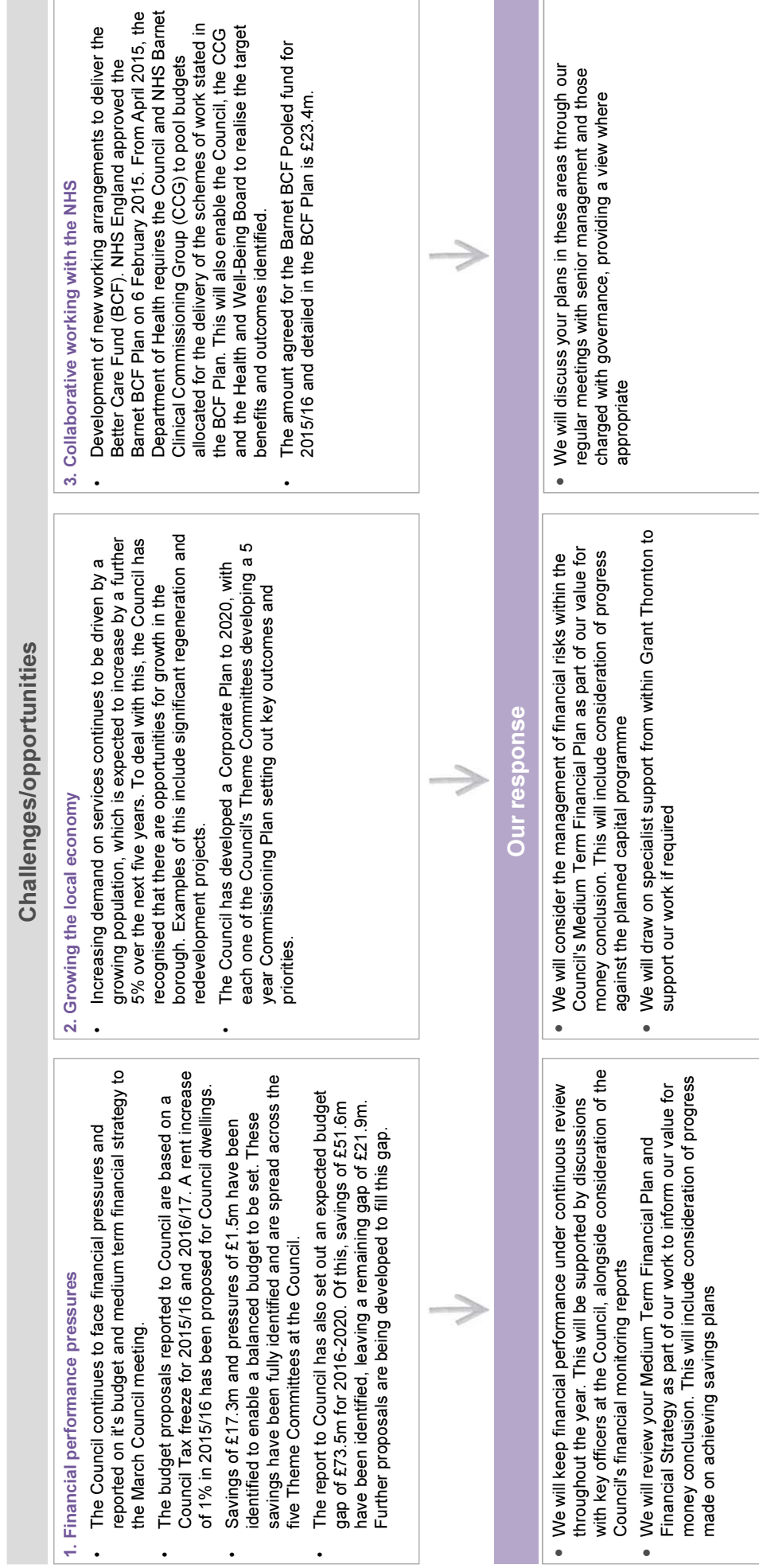
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2. Developments relevant to your business and the audit
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# Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

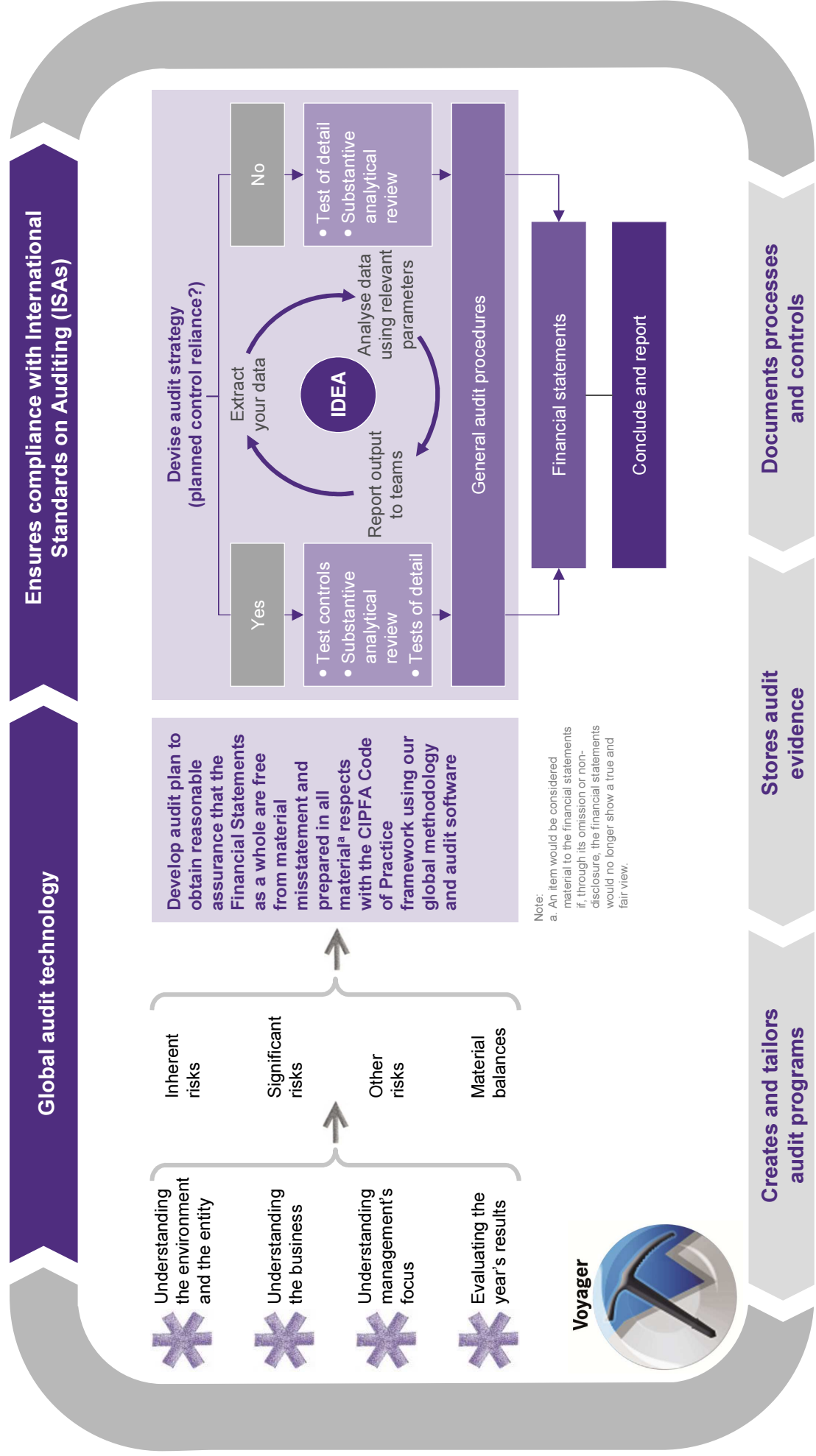


# Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice (the code<sup>1</sup>) and associated guidance.

Developments and other requirements					
<b>1. Financial reporting</b> <ul style="list-style-type: none"><li>• Changes to the CIPFA Code of Practice</li><li>• Changes to the recognition of school land and buildings on local authority balance sheets</li><li>• Adoption of new group accounting standards (IFRS 10, 11 and 12)</li></ul>	<b>2. Legislation</b> <ul style="list-style-type: none"><li>• Local Government Finance settlement</li></ul>	<b>3. Corporate governance</b> <ul style="list-style-type: none"><li>• Annual Governance Statement (AGS)</li><li>• Explanatory foreword</li></ul>	<b>4. Better Care Fund</b> <ul style="list-style-type: none"><li>• Better Care Fund (BCF) plans and the associated pooled budgets will be operational from 1 April 2015</li></ul>	<b>5. Financial Pressures</b> <ul style="list-style-type: none"><li>• Managing service provision with less resource</li><li>• Progress against savings plans</li></ul>	<b>6. Other requirements</b> <ul style="list-style-type: none"><li>• The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion</li><li>• The Council completes grant claims and returns on which audit certification is required</li></ul>
Our response					
<b>We will ensure that</b> <ul style="list-style-type: none"><li>• the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing</li><li>• schools are accounted for correctly and in line with the latest guidance</li><li>• the group boundary is recognised in accordance with the Code and joint arrangements are accounted for correctly</li></ul>	<ul style="list-style-type: none"><li>• We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate</li></ul>	<ul style="list-style-type: none"><li>• We will review the arrangements the Council has in place for the production of the AGS</li><li>• We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge</li></ul>	<ul style="list-style-type: none"><li>• We will consider whether the BCF is a risk in the context of our VFM conclusion and will carry out further work if required</li></ul>	<ul style="list-style-type: none"><li>• We will review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan</li><li>• We will undertake a review of Financial Resilience as part of our Vfm conclusion</li></ul>	<ul style="list-style-type: none"><li>• We will carry out work on the WGA pack in accordance with requirements</li><li>• We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.</li></ul>

# Our audit approach



## Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue  This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at London Borough of Barnet, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including London Borough of Barnet, mean that all forms of fraud are seen as unacceptable</li> </ul>
Management over-ride of controls	Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Review of journal controls and early discussion of accounting estimates, judgments and decisions made by management</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries</li> <li>• Review of unusual significant transactions</li> </ul>
Risk of new accounting system producing balances that are materially misstated	As at 1 April 2014, the ledger system was migrated from SAP to Integra which is hosted by Capita. 2014/15 will be the first year that the Council accounts will be compiled on the new ledger system.	<p>Document our understanding of the controls put in place by management over data migration.</p> <p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Testing the completeness of data migration to the new systems as part of our IT review</li> <li>• Complete walk through tests of the new ledger system</li> </ul> <p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of subsystem reconciliations</li> </ul>

## Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors related to core activities (e.g. supplies) understated or not recorded in the correct period (Operating expenses understated)	<ul style="list-style-type: none"> <li>We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our understanding. No issues were identified as a result of this work</li> </ul>	<ul style="list-style-type: none"> <li>We will reconcile the subsidiary system interfaces and general ledger control accounts</li> <li>We will complete unrecorded liabilities testing to confirm the completeness and cut-off of transactions</li> </ul>
Employee remuneration	Employee remuneration and benefit obligations and expenses understated (Remuneration expenses not correct)	<ul style="list-style-type: none"> <li>We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our understanding. No issues were identified as a result of this work</li> </ul>	<ul style="list-style-type: none"> <li>We will reconcile the subsidiary system interfaces and general ledger control accounts</li> <li>We will complete monthly trend analysis of payments recognised</li> <li>We will complete cut-off testing (both before and after the year end)</li> </ul>
Welfare Expenditure	Welfare benefit expenditure improperly computed	<ul style="list-style-type: none"> <li>We have performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our understanding. No issues were identified as a result of this work</li> </ul>	<ul style="list-style-type: none"> <li>We will reconcile the subsidiary system interfaces and general ledger control accounts</li> <li>We will complete initial DWP certification testing of Housing Benefits, including analytical review and verification of benefits awarded on a sample basis</li> </ul>

# Value for money

## Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake risk based work focussing on arrangements relating to financial governance, strategic financial planning and financial control.

Specifically we will:

- review and update our risk assessment agreed during our 2013/14 financial resilience review to reflect the up to date position on arrangements relating to key indicators of financial performance, financial governance, strategic financial planning and financial control
- consider any reports issued by key regulators (e.g. OFSTED) to ensure that potential impacts are suitably managed by the Council.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.



# Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

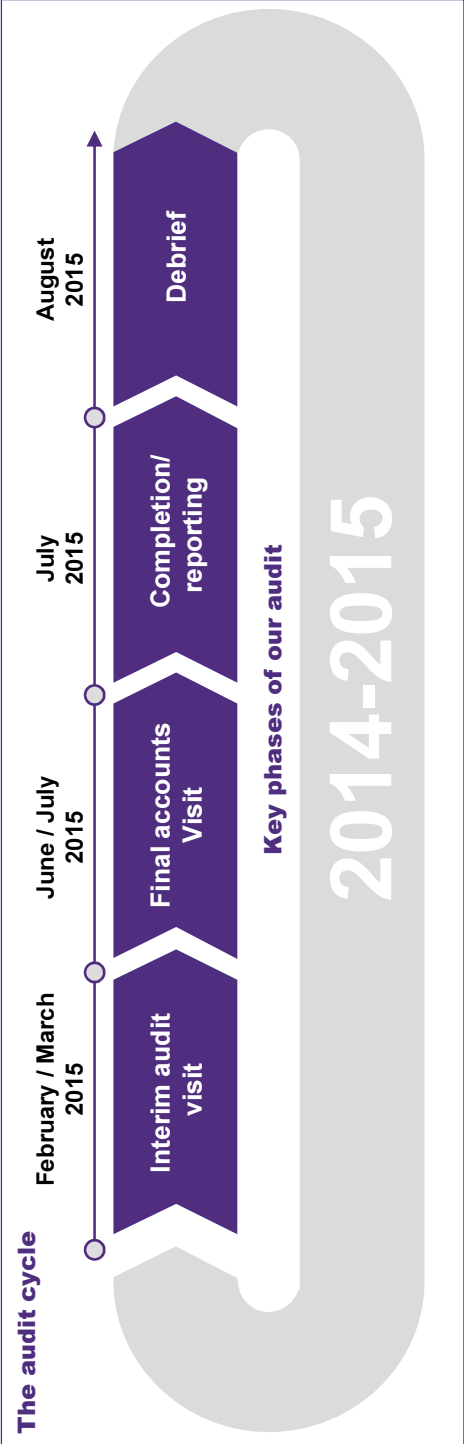
	On-going work	Conclusion
<b>Internal audit</b>	<p>We are considering internal audit's overall arrangements against the Public Sector Internal Audit Standards. Based on our work to date, we have not identified any issues which we wish to bring to your attention</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities</p>	<p>Based on our work to date, we consider that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach</p>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding</p>	<p>Our work has not identified any weaknesses which impact on our audit approach</p>
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>



## Results of interim audit work cont'd

	Work performed	Conclusion
<b>Review of information technology controls</b>	Our information systems specialist is currently performing a high level review of the general IT control environment, as part of the overall review of the internal controls system. This includes a follow up of the issues that were raised last year	Work is on-going and any findings will be reported to the Audit Committee as part of our Audit Findings Report Annual Report to Those Charged With Governance).
<b>Journal entry controls</b>	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements	No significant issues were identified from the review of journal policies and procedures We will gain assurance over the appropriateness of the journal transactions processed by reviewing individual entries which have been processed in the production of the financial statements as well as those used throughout the year
<b>Group accounts</b>	The Council has considered its approach to group accounts for 2014/15. Officers anticipate no material differences between the group accounts and the single entity accounts in 2014/15. In line with the prior year, the Council is proposing not to produce group accounts for the 2014/15 financial year	We will continue to consider the requirements for the production of group accounts, but are not minded to challenge the Council's approach at this time

# Key dates



Date	Activity
January 2015	Planning
February / March 2015	Interim site visit
30 April 2015	Presentation of audit plan to Audit Committee
June / July 2015	Year end fieldwork
July 2015	Report audit findings to those charged with governance (Audit Committee)
July 2015	Sign financial statements opinion

# Fees and independence

## Fees

	£
Council audit	226,700
Grant certification	27,080
<b>Total fees (excluding VAT)</b>	<b>253,780</b>

## Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

## Fees for other services

Service	Fees £
None	Nil

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

# Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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**London Borough of Barnet  
Audit Committee Work  
Programme - 2015-16**

Contact: Kirstin Lambert 020 8359 2177 [kirstin.lambert@barnet.gov.uk](mailto:kirstin.lambert@barnet.gov.uk)

AGENDA ITEM 12

Subject	Decision requested	Report Of	Contributing Officer(s)
30 April 2015			
Internal Audit Exception Recommendations Report and Progress Report up to 31st March 2015 (Quarter 4)	<p>To consider summaries of specific Internal Audit reports as requested</p> <p>To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale</p> <p>To monitor the effective development and operation of risk management and corporate governance in the Council</p> <p>To consider reports dealing with the management and performance of the providers of Internal Audit services</p>	Head of Internal Audit	
Annual External Audit Plan	<p>To comment on the scope and depth of External Audit work and to ensure it gives value for money.</p> <p>To liaise with the body responsible over the appointment of the Council's external auditors.</p>	Chief Operating Officer (Director of Finance / Section 151 Officer)	
External Audit Progress Update	To consider specific reports as agreed with the external auditor	Chief Operating Officer (Director of Finance / Section 151 Officer)	



<b>Subject</b>	<b>Decision requested</b>	<b>Report Of</b>	<b>Contributing Officer(s)</b>
Internal Audit and CAFT Annual Plan and Strategy and Risk Management Approach and internal audit charter	<p>To consider the audit annual report, plan and opinion</p> <p>To consider the anti-fraud strategy, annual anti-fraud work plan and CAFT Annual Report.</p> <p>To monitor the effective development and operation of risk management and corporate governance in the Council</p>	Assurance Assistant Director, Head of Internal Audit	
CAFT Annual Report (including final quarter)	To consider the anti-fraud strategy, annual anti-fraud work plan and CAFT Annual Report	Assurance Assistant Director	
Audit Committee Annual Work Programme 2015/16	To approve the Audit Committee Annual Work Programme	Assurance Assistant Director	
<b>30 July 2015</b>			
Annual Report of the Audit Committee	The Audit Committee shall prepare a report to Full Council on annual basis on its activity and effectiveness.	Chair of the Audit Committee	
Risk Management Framework	To monitor the effective development and operation of risk management and corporate governance in the Council	Assurance Assistant Director	

Subject	Decision requested	Report Of	Contributing Officer(s)
Internal Audit Annual Report and opinion 2014/15	To consider the audit annual report, plan and opinion	Head of Internal Audit	
Internal Audit Quarterly Progress Report (including Exception Recommendations Report) – Quarter 1	<p>To consider summaries of specific Internal Audit reports as requested</p> <p>To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale</p> <p>To monitor the effective development and operation of risk management and corporate governance in the Council</p> <p>To consider reports dealing with the management and performance of the providers of Internal Audit services</p>	Head of Internal Audit	
CAFT Quarterly Report – Q1	<p>To monitor the effective development and operation of the Council's Corporate Anti-Fraud Team (CAFT)</p> <p>To consider regular anti-fraud progress reports and summaries of specific fraud issues and investigation outcomes</p>	Assurance Assistant Director	

Subject	Decision requested	Report Of	Contributing Officer(s)
Audited Statement of Accounts	To review and approve the Annual Statement of Accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are any concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council	Chief Operating Officer (Director of Finance / Section 151 Officer)	
External Auditor's Report under International Standard on Auditing (ISA) 260 for the year 2014/15	To consider the External Auditors report to those charged with governance on issues arising from the audit of the Council's accounts.	Chief Operating Officer (Director of Finance / Section 151 Officer)	
Annual Governance Statement	To oversee the production of the Authority's Annual Governance Statement and to recommend its adoption	Assurance Director (Acting)	
5 November 2015			

Subject	Decision requested	Report Of	Contributing Officer(s)
Internal Audit Quarterly Progress Report (including Exception Recommendations Report) – Quarter 2	<p>To consider summaries of specific Internal Audit reports as requested</p> <p>To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale</p> <p>To monitor the effective development and operation of risk management and corporate governance in the Council</p> <p>To consider reports dealing with the management and performance of the providers of Internal Audit services</p>	Head of Internal Audit	
Counter Fraud Framework Review	To monitor the Council's Counter Fraud framework and policies within it and recommend their application across the Council	Assurance Director (Acting)	
External Audit Progress Update	To consider specific reports as agreed with the external auditor	Assurance Director (Acting)	
28 January 2016			

<b>Subject</b>	<b>Decision requested</b>	<b>Report Of</b>	<b>Contributing Officer(s)</b>
Internal Audit Quarterly Progress Report (including Exception Recommendations Report) – Quarter 3	<p>To consider summaries of specific Internal Audit reports as requested</p> <p>To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale</p> <p>To monitor the effective development and operation of risk management and corporate governance in the Council</p> <p>To consider reports dealing with the management and performance of the providers of Internal Audit services</p>	Head of Internal Audit	
CAFT Quarterly Report – Quarter 2	<p>To monitor the effective development and operation of the Council's Corporate Anti-Fraud Team (CAFT)</p> <p>To consider regular anti-fraud progress reports and summaries of specific fraud issues and investigation outcomes</p>	Assurance Director (Acting)	
Annual Audit Letter 2014-15	To consider the External Auditor's Annual Letter, relevant reports, and the report to those charged with governance	Chief Operating Officer (Director of Finance / Section 151 Officer)	

<b>Subject</b>	<b>Decision requested</b>	<b>Report Of</b>	<b>Contributing Officer(s)</b>
External Audit Progress Update	To consider specific reports as agreed with the external auditor	Assurance Director (Acting)	
<b>19 April 2016</b>			
CAFT Annual Report (including final quarter)		Assurance Assistant Director	
Annual External Audit Plan		Assurance Director (Acting)	
Internal Audit Quarterly Progress Report (including Exception Recommendations Report)		Head of Internal Audit	
Internal Audit and CAFT Annual Plan and Strategy and Risk Management Approach		Head of Internal Audit	
<b>Items to be allocated</b>			

Subject	Decision requested	Report Of	Contributing Officer(s)
Ad Hoc Audit Reports	<p>To commission work from Internal and External Audit, proportionate to risk identified and with agreement from the Chief Executive</p> <p>To review any issue referred to the Committee by the Chief Executive, a Director or any Council body</p>		

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